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US Sustainable, Responsible and Impact Investing Trends 2016

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Reflections on Sustainable, Responsible and Impact Investing in 2016

The demand for sustainable and impact investing is growing—investors now consider environmental, social and governance (ESG) factors across $8.72 trillion of professionally managed assets, a 33 percent increase since 2014.

Money managers and institutional investors are scrutinizing an array of concerns—including climate change, weapons production, human rights and corporate political spending and lobbying—across a broader span of assets than in 2014. A diverse group of investors is seeking to achieve positive impacts through such strategies as corporate engagement or investing with an emphasis on community, sustainability or the advancement of women.

The market size of sustainable, responsible and impact investing in the United States in 2016 is **$8.72 trillion**, or **one-fifth** of all investment under professional management.

Client demand is one of the major drivers for money managers that introduce products that take ESG factors into account. Indeed, evidence of the growing interest in sustainable investing is the recent launch of services that issue ratings for thousands of mutual funds and exchange traded funds on the ESG profiles of their portfolio companies. A number of organizations are also assessing mutual funds and other investment firms on how they are voting their shares on ESG issues, and whether the voting policies are consistent with their professed ESG concerns. Meanwhile, a major policy win took place in October 2015, when the US Department of Labor issued a bulletin that facilitates the ability of private sector employers to add SRI fund options to retirement plans.

As the field grows, some growing pains are to be expected. A continuing concern first identified in the 2014 *Trends* report is the significant growth of ESG assets for which limited information is disclosed. Increasing numbers of money managers report that they incorporate ESG factors, but do not disclose the specific criteria used (such as clean technology and labor issues).

Through the US SIF Foundation survey process, money managers and institutional investors could select up to **32 criteria**, divided into environmental, social, governance and product-related categories. They also had an option to specify any additional ESG criteria they considered.

As US SIF and the US SIF Foundation noted in our *2016–2018 Strategic Plan*, there is an opportunity to enhance the rigor of the field. We aim to provide the education and research that will help bring new entrants to the field, point practitioners and other stakeholders to best practices and provide a forum for professionals to engage and learn from one another.

It is our hope that *US Sustainable, Responsible and Impact Investing Trends 2016* provides our readers with an expansive understanding of sustainable, responsible and impact investing as it exists today and inspires you to join us in taking this important work forward.

Please visit www.ussif.org for more information on our work.

Sincerely,

Lisa Woll, CEO
US SIF and US SIF Foundation

This report is provided only for informational purposes. It is drawn from surveying and sources believed reliable but may not be complete or accurate. It does not constitute investment advice. The lists and examples of investment managers and vehicles presented in this report should in no way be considered endorsements or investment solicitations.

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Sustainable Endowments Institute
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Special Thanks
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Greg Bischak, CDFI Fund
Eric Cohen, Investors Against Genocide
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Executive Summary

US Sustainable, Responsible and Impact Investing Trends 2016

US sustainable, responsible and impact (SRI) investing continues to expand. The total US-domiciled assets under management using SRI strategies grew from $6.57 trillion at the start of 2014 to $8.72 trillion at the start of 2016, an increase of 33 percent, as shown in Figure A. These assets now account for more than one out of every five dollars under professional management in the United States.

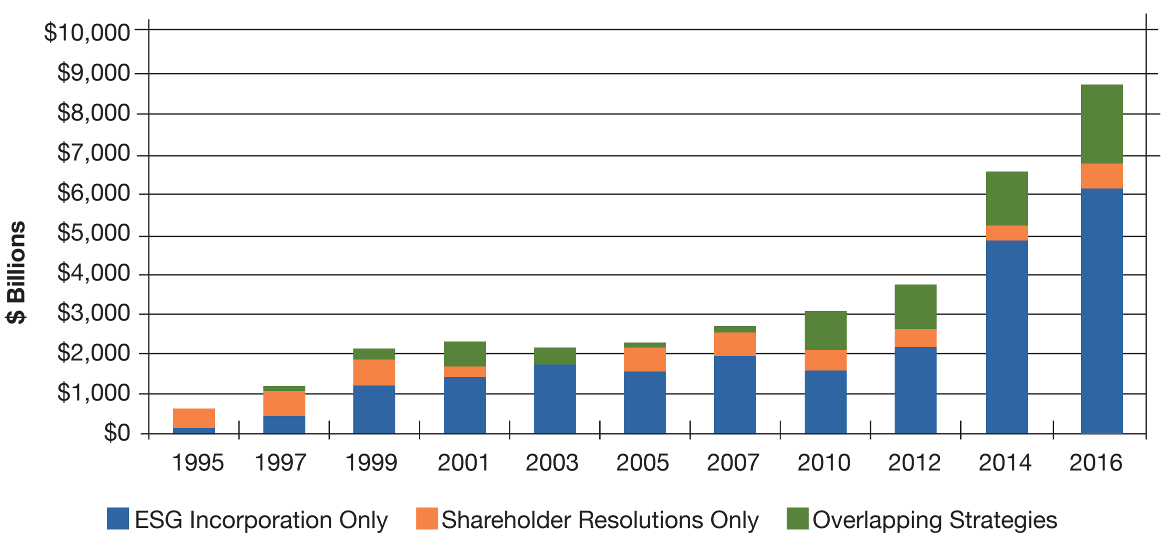
The individuals, institutions, investment companies, money managers and financial institutions that practice SRI investing seek to achieve long-term competitive financial returns. Some investors embrace SRI strategies to manage risk and fulfill fiduciary duties; many also seek to help contribute to advancements in social, environmental and governance practices. SRI investing strategies can be applied across asset classes to promote stronger corporate social responsibility, build long-term value for companies and their stakeholders, and foster businesses or introduce products that will yield community and environmental benefits.

Through a survey and research undertaken in 2016, the US SIF Foundation identified:

- $8.10 trillion in US-domiciled assets at the beginning of 2016 held by 477 institutional investors, 300 money managers and 1,043 community investment institutions that apply various environmental, social and governance (ESG) criteria in their investment analysis and portfolio selection, and
- $2.56 trillion in US-domiciled assets at the beginning of 2016 held by 225 institutional investors or money managers that filed or co-filed shareholder resolutions on ESG issues at publicly traded companies from 2014 through 2016.

After eliminating double counting for assets involved in both strategies and for assets managed by money managers on behalf of institutional investors, the overall total of SRI assets at the beginning of 2016 was $8.72 trillion, as shown in Figure C. Throughout this report, the terms sustainable, responsible and impact investing, sustainable investing, responsible investing, impact investing and SRI are used interchangeably to describe these investment practices.

Fig. A: Sustainable, Responsible and Impact Investing in the United States 1995–2016



SOURCE: US SIF Foundation.

The assets engaged in sustainable, responsible and impact investing practices at the start of 2016 represent nearly 22 percent of the $40.3 trillion in total assets under management tracked by Cerulli Associates. From 1995, when the US SIF Foundation first measured the size of the US sustainable and responsible investing market, to 2016, the SRI universe has increased nearly 14-fold, a compound annual growth rate of 13.25 percent.

ESG Incorporation Highlights

The total assets that are managed with ESG factors explicitly incorporated into investment analysis and decision making are valued at $8.10 trillion. Of this total, $8.10 trillion were identified as managed by money managers or community investing institutions, while $4.72 trillion were identified as owned or administered by institutional investors. (The value of the institutional investors' ESG assets we identified separately was slightly lower than the institutional portion of the overall tally of money managers' ESG assets under management.)

ESG Incorporation by Money Managers and Investment Vehicles

The US SIF Foundation identified 300 money managers and 1,043 community investing institutions that incorporate ESG issues into their investment decision making. The dollar value of their combined ESG assets is 1.7 times the corresponding figure for 2014, when money managers and community investing institutions held $4.8 trillion in ESG assets under management.

The significant growth in these ESG assets reflects several factors. These include growing market penetration of SRI products, the development of new products that incorporate ESG criteria and the incorporation of ESG criteria by numerous large asset managers across wider portions of their holdings. Furthermore, the past two years have seen new disclosure on the part of numerous institutional investors and asset managers on how they are implementing the Principles for Responsible Investment (PRI), a global framework for taking ESG considerations into account in investment analysis, decision making and active ownership strategies.

The broad outlines of the ESG issues incorporated by money managers are as follows:

- Environmental investment factors apply to $7.79 trillion in assets under management. Climate change criteria shape the investment of $1.42 trillion in assets under management, a more than fivefold increase since 2014. Clean technology is a consideration incorporated by money managers with $354 billion in assets under management.
- Social criteria, which include criteria related to issues such as conflict risk, equal employment opportunity and diversity, and labor and human rights, apply to $7.78 trillion in assets under management.
- Governance issues apply to $7.70 trillion in assets under management, a twofold increase since 2014.
- Product-specific criteria, such as restrictions on investment in tobacco and alcohol, apply to $1.97 trillion in assets.

The number of funds incorporating ESG criteria has grown 12 percent over the last two years. These funds, which exclude separate account vehicles, other money manager ESG assets that are not associated with a dedicated fund or other type of investment vehicle, and community investing institutions, now number 1,002 and represent $2.60 trillion, as shown in Figure B.

Fig. B: Investment Funds Incorporating ESG Factors 1995–2016

	1995	1997	1999	2001	2003	2005	2007	2010	2012	2014	2016
Number of Funds	55	144	168	181	200	201	260	493	720	894	1,002
Total Net Assets (In Billions)	$12	$96	$154	$136	$151	$179	$202	$569	$1,013	$2,457	$2,597

SOURCE: US SIF Foundation.
NOTE: ESG funds include mutual funds, variable annuity funds, closed-end funds, exchange-traded funds, alternative investment funds and other pooled products, but exclude separate accounts, Other/Not Listed, and community investing institutions. From 1995-2012, separate account assets were included in this data series, but have been excluded since 2014, in order to focus exclusively on commingled investment products.

REGISTERED INVESTMENT COMPANIES: Among the universe of investment vehicles that incorporate ESG factors into investment management, 519 registered investment companies, including mutual funds, variable annuity funds, exchange-traded funds (ETFs) and closed-end funds, account for $1.74 trillion in ESG assets.

ALTERNATIVE INVESTMENT VEHICLES: The US SIF Foundation identified 413 alternative investment vehicles—private equity and venture capital funds, responsible property funds and hedge funds—engaged in sustainable and responsible investment strategies, with a combined total of $206 billion in assets under management. They include a number of private equity funds focused on themes such as clean technology and social enterprise, and property funds focused on green building and smart growth.

OTHER INVESTMENT VEHICLES:

- Other Pooled Products: The research team identified 70 other pooled products (typically commingled portfolios managed primarily for institutional investors and high-net-worth individuals) with nearly $652 billion in assets that were invested according to ESG criteria.
- Unspecified Vehicles and Separate Accounts: Among 114 managers researched, $5.38 trillion in assets were identified incorporating ESG factors into investment management in separate accounts or investment vehicles classified as "Other/Not Listed."
- Community Investing Institutions: A total of 1,043 community investing institutions (CIIs), including community development banks, credit unions, loan funds and venture capital funds, collectively manage nearly $122 billion in assets. CIIs have an explicit mission of serving low- and moderate-income communities and individuals.

ESG Incorporation by Institutional Investors

With $4.72 trillion of ESG assets, a 17 percent increase since the start of 2014, institutional investors play a substantial role in the SRI universe documented in this report. These asset owners include public funds, corporations, educational institutions, foundations, faith-based investors, healthcare funds, labor union pension funds, nonprofits and family offices.

The leading ESG criteria that institutional investors consider are restrictions on investing in companies doing business in regions with conflict risk (particularly in countries with repressive regimes or sponsoring terrorism). Investment policies on conflict risk apply to $2.75 trillion in assets, about the same as in 2014. In second place, in asset-weighted terms, is consideration of climate change and carbon emissions; this applies to $2.15 trillion in assets, compared with just $551 billion in 2014. Institutions report that they apply unspecified general environmental, social and governance criteria to more than $1.2 trillion in assets. While tobacco-related restrictions grew in asset-weighted terms, they dropped from third to ninth place among the leading ESG criteria incorporated by institutional investors.

Investor Advocacy Highlights

A wide array of institutional investors—including public funds, religious investors, labor funds, foundations and endowments—and money managers file or co-file shareholder resolutions at US companies on ESG issues, and hundreds of these proposals come to votes each year. From 2014 to 2016, 176 institutional investors and 49 investment management firms with total assets of $2.56 trillion filed or co-filed resolutions. The number of institutions and managers actively involved in filing shareholder resolutions has remained relatively stable over the past four years.

The proportion of shareholder proposals on social and environmental issues that receive high levels of support has been on the rise. Since 2013, approximately 30 percent of these proposals received support from 30 percent or more of the shares voted. From 2007 through 2009, only 17 percent of proposals cleared this threshold.

Money managers and institutional investors are pursuing engagement strategies on ESG issues in addition to filing shareholder resolutions at publicly traded companies. Fifty-seven institutional asset owners reported that they engaged in dialogue with companies on ESG issues, as did 61 asset managers.

Fig. C: Sustainable and Responsible Investing Assets 2016

ESG Incorporation		(in Billions)
Money Managers	$ 8,097.9	
Institutional Investors	$ 4,724.5	
Overlapping Assets	$ (4,724.5)	
Subtotal		**$ 8,097.9**
Filing Shareholder Resolutions		
Money Managers	$ 1,038.6	
Institutional Investors	$ 1,519.6	
Subtotal		**$ 2,558.2**
Overlapping Strategies		$(1,932.9)
Total		**$8,723.22**

SOURCE: US SIF Foundation.
NOTE: ESG Incorporation includes community investing institutions (CIIs).
US SIF Foundation identified over $5.1 trillion in the institutional portion of Money Managers' ESG assets under management, so the Institutional Investors' ESG assets identified separately are removed to control for the potential inflationary effects of double counting. For more details, see Chapter V: Methodology.

Major SRI Drivers and Trends

In recent years, numerous trends have shaped the evolution and growth of SRI within US financial markets:

- **Money managers** increasingly are incorporating ESG factors into their investment analysis and portfolio construction, driven by the demand for ESG investing products from institutional and individual investors and by the mission and values of their management firms. Of the managers that responded to an information request about reasons for incorporating ESG, the highest percentage, 85 percent, cited client demand as a motivation.
- However, 114 money managers reported little to no detail for ESG assets worth $5.38 trillion, much of it identified through their PRI Transparency Reports. These managers did not provide information on the specific products that were subject to ESG criteria and generally divulged few if any details on the specific ESG criteria incorporated.
- Of the money managers that responded to a question in the US SIF Foundation survey about their ESG incorporation strategies, 62 percent reported that they use some combination of negative screening,

positive screening and ESG integration within their funds. More than half reported using strategies of impact investing and nearly half used sustainability themed investing as a strategy. The incorporation strategy that affected the highest number of assets, $1.51 trillion, was ESG integration. (See the glossary of ESG incorporation terms on this page.)

- **Climate change** remains the most significant overall environmental factor in terms of assets, affecting $1.42 trillion in money manager assets and $2.15 trillion in institutional investor assets—more than three times the amounts affected in 2014. Fossil fuel restrictions or divestment policies applied to $152 billion in money manager assets and $144 billion in institutional investor assets at the beginning of 2016.
- Moreover, shareholders concerned about climate risk filed 93 resolutions specifically on the subject in 2016 and negotiated a number of commitments from the target companies to report on strategic planning around climate change or to reduce their greenhouse gas emissions.

ESG INCORPORATION STRATEGIES AND TERMS

POSITIVE/BEST-IN-CLASS: Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers. This also includes avoiding companies that do not meet certain ESG performance thresholds.

NEGATIVE/EXCLUSIONARY: The exclusion from a fund or plan of certain sectors or companies involved in activities or industries deemed unacceptable or controversial.

ESG INTEGRATION: The systematic and explicit inclusion by investment managers of ESG risks and opportunities into financial analysis.

IMPACT INVESTING: Investment in companies, organizations and funds, often in private markets, with the intention to generate social and environmental impact alongside a financial return, which can range from below market to market rate.

SUSTAINABILITY THEMED INVESTING: The selection of assets specifically related to sustainability in single- or multi-themed funds.

- When it comes to specific ESG criteria, **conflict risk** analysis, including the exclusion of companies doing business in countries with repressive regimes or state sponsors of terrorism, holds the most weight for money managers, with $1.54 trillion in assets affected, and it remains the top ESG factor institutions incorporate into their investments, affecting $2.75 trillion.
- An issue tracked for the first time this year was **transparency and anti-corruption:** money managers reported $725 billion in assets taking this criterion into account, while institutional investors reported $528 billion.
- The emerging trend of **gender lens investing**, tracked separately for the first time this year, was identified as affecting the management of nearly $132 billion in money manager assets, and $397 billion in institutional investor assets.
- **Community investing** institution assets jumped 89 percent, from $64 billion to nearly $122 billion. This growth was led by a particularly large increase in the assets of community development credit unions, which more than doubled since 2014.
- As shown by the number of proposals filed each year, disclosure and management of **corporate political spending and lobbying** is the greatest single ESG concern raised by shareholders, with 377 proposals filed on this subject from 2014 through August 2016. Many of the targets of these proposals are companies that support organizations that deny climate change science and undertake lobbying against regulations to curb greenhouse gas emissions.
- Investors filed 350 proposals at US companies from 2014 through 2016 to facilitate shareholders' ability to nominate directors to corporate boards. As a result of the strong investor support for these "proxy access" proposals, the share of S&P 500 companies establishing **proxy access** measures over this period grew from 1 to 40 percent.

I. Introduction

Sustainable, responsible and impact investing (SRI) is growing rapidly in the United States. The institutions and individuals practicing one or more strategies of sustainable investment share a desire to achieve long-term competitive financial returns. They embrace SRI strategies to manage risk, fulfill fiduciary duties or generate social and environmental benefits. As a result, they consider environmental, social or corporate governance (ESG) issues as they make decisions about their portfolios or raise their voices as investors.

Their numbers include:

- Major investment management firms that are integrating ESG factors into their financial analysis.
- Individuals who invest in mutual funds that seek companies with good labor and environmental practices.
- Colleges and universities that are incorporating sustainability concerns into their endowment management.
- Banks and credit unions with a specific mission of serving low- and middle-income communities.
- Public pension plans that have encouraged companies in which they invest to factor climate change into their strategic planning and to improve the accountability of their boards of directors.
- Foundations that practice mission investing across their portfolios in order to enhance their philanthropic grantmaking.
- Religious institutions that file shareholder resolutions to urge their portfolio companies to meet strong ethical and governance standards.
- Venture capitalists and private equity investors that identify and develop companies that produce clean technology and other environmental services.
- Labor pension funds that make investments in support of labor and human rights and engage companies about executive compensation and governance practices.

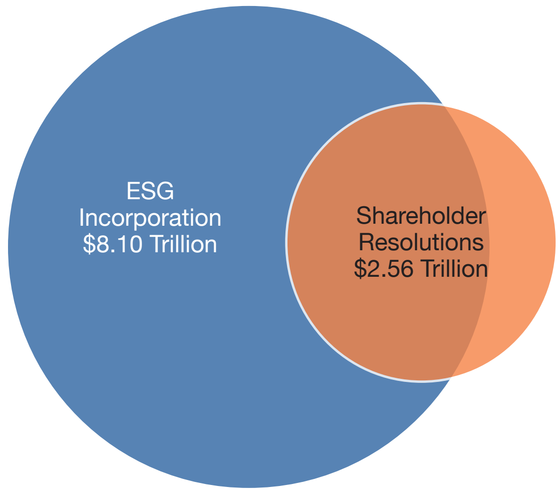
Approximately one-fifth of all investment assets under professional management in the United States—$8.72 trillion out of $40.3 trillion—are held by institutions, investment companies or money managers that either consider ESG issues in selecting investments across a range of asset classes, or file shareholder resolutions on ESG issues at publicly traded companies.

These findings are based on surveys and research that the US SIF Foundation commissioned in 2016. Through this research process, the Foundation identified:

- $8.10 trillion in US-domiciled assets at the outset of 2016 held by 477 institutional investors, 300 money managers and 1,043 community investing financial institutions to which various ESG criteria are applied in investment analysis and portfolio selection, and
- $2.56 trillion in US-domiciled assets at the start of 2016 held by 225 institutional investors or money managers that filed or co-filed shareholder resolutions on ESG issues from 2014 through 2016.

These two segments of assets, after eliminating double counting for assets involved in both strategies and for assets managed by money managers on behalf of institutional investors, yield the overall total of $8.72 trillion, a 33 percent increase over the $6.57 trillion that the US SIF Foundation identified in sustainable investing strategies at the outset of 2014. (See Figure 1.0.)

Fig. 1.0: Sustainable and Responsible Investing in the United States 2016



SOURCE: US SIF Foundation.
NOTE: ESG incorporation assets in this figure include those in community investing institutions.

Over the last 20 years, the assets engaged in SRI strategies have grown significantly. (See Figure 1.1.)

- In 1995, when the US SIF Foundation published its first report on SRI trends, $639 billion were identified as using SRI strategies.
- In 2010, the Foundation found $3.07 trillion in SRI assets under management, up more than 13 percent over the start of 2007, despite the decline in several broad market indices such as the S&P 500 over the same period.
- The 2014 tally of $6.57 trillion, more than double the comparable sum from 2010, reflected not only the overall recovery of the financial markets over that period but also the dramatic growth in the assets and numbers of investment funds considering ESG criteria and reporting on these processes.
- The 33 percent rise in US SRI assets since 2014 has outpaced the growth in professionally managed assets in the United States over that period, which rose 9.5 percent.

Fig. 1.1: Sustainable and Responsible Investing in the United States 1995–2016

(In Billions)	1995	1997	1999	2001	2003	2005	2007	2010	2012	2014	2016
ESG Incorporation	$166	$533	$1,502	$2,018	$2,157	$1,704	$2,123	$2,554	$3,314	$6,200	$8,098
Shareholder Advocacy	$473	$736	$922	$897	$448	$703	$739	$1,497	$1,536	$1,716	$2,558
Overlapping Strategies	N/A	($84)	($265)	($592)	($441)	($117)	($151)	($981)	($1,106)	($1,344)	($1,933)
Total	**$639**	**$1,185**	**$2,159**	**$2,323**	**$2,164**	**$2,290**	**$2,711**	**$3,069**	**$3,743**	**$6,572**	**$8,723**

SOURCE: US SIF Foundation.
NOTE: Overlapping assets involved in some combination of ESG incorporation (including community investing) and shareholder advocacy are subtracted to avoid potential effects of double counting. Separate tracking of the overlapping strategies only began in 1997, so there is no datum for 1995. Prior to 2010, assets subject to ESG incorporation were limited to socially and environmentally screened assets and did not include assets that considered only governance criteria.

Motivations and Terminology

There is no single motivation for pursuing sustainable and impact investing.

Some investors are driven by their personal values and goals, their institutional mission, or the demands of their clients, constituents or plan participants; they aim for strong financial performance, but also believe that these investments should be used to help contribute to advancements in social, environmental and governance practices. They may actively seek investments—such as community development loan funds or clean tech portfolios—that are likely to provide important societal or environmental benefits.

Some investors embrace SRI strategies to manage risk and fulfill fiduciary duties; they may review ESG criteria as part of their due diligence process to assess the quality of management and the likely resilience of their portfolio companies in dealing with future challenges. Some are seeking hidden sources of alpha (financial outperformance) over the long term. Indeed, a growing body of academic research shows a strong link between ESG and financial performance.[1]

Just as there is no single motivation for SRI, there is no single term to describe it. Depending on their emphasis, investors use such labels as "community investing," "ethical investing," "green investing," "impact investing," "mission-related investing," "responsible investing," "socially responsible investing," "sustainable investing" and "values-based investing," among others. To reflect this diversity of terminology, this report uses the terms sustainable, responsible and impact investing, sustainable investing, responsible investing, impact investing and SRI interchangeably.

SRI is an evolving form of finance, and the proliferation of approaches underscores this basic dynamism. What unites these diverse investment approaches—and what ultimately distinguishes them from the broader universe of assets under management in the United States—is the explicit incorporation of environmental, social or governance issues into investment decision making, fund management or engagement activities. This report seeks to quantify these various forms of strategic investment activity and the motivations for using them.

The Evolution of Sustainable, Responsible and Impact Investing

The history of investing for impact stretches over centuries. Religious investors from Jewish, Christian and Islamic faiths and many indigenous cultures have long considered the broad impacts of their financial decisions, giving careful consideration to the way economic actions affected others around them and shunning investments that violated their traditions' core beliefs. In the American colonies, some Quakers and Methodists refused to make investments that might have benefited the slave trade, for example, and the earliest explicit ethical investment policies in fund management avoided so-called "sin" stocks—companies involved in alcohol, tobacco or gambling. Indeed, the first mutual fund to incorporate such screening was the Pioneer Fund, which opened in 1928 and has excluded tobacco and alcohol stocks from its portfolio since 1950.

Sustainable investing in its present-day form, however, arose in the aftermath of the social and cultural transformations of the 1960s and 1970s, as the civil rights, feminist, consumer, antiwar and environmental movements raised awareness about a host of social, environmental and economic problems and made the connection to corporate and investor responsibility. In response, a growing number of universities, faith-based institutions, foundations and others began to inquire if they had responsibilities to correct "social injury" caused by the companies in which they invested as non-controlling shareholders. Aided by regulatory changes by the US Securities and Exchange Commission, a growing band of individual and institutional investors filed the first dozens of shareholder resolutions to raise questions about environmental and social responsibility at the annual meetings of US publicly traded companies.

Several organizations were founded during this time to assist investors on corporate responsibility questions. The Council on Economic Priorities began rating companies on social and environmental performance in 1969. A consortium of colleges, universities and foundations established the Investor

Responsibility Research Center in 1972, while religious investors founded the Interfaith Center on Corporate Responsibility a year later.

From Avoidance to Engagement

The early 1970s also saw the launch of the first modern SRI mutual funds. The Pax World Fund, founded in 1971, and the Dreyfus Third Century Fund, created the next year, were the first funds both to avoid tobacco, alcohol, nuclear power and military defense contractors and to consider labor and employment issues. Both remain open to investors today, though under different names and with different investment styles than at their launch.

Several developments in the 1980s galvanized responsible investing and broadened its range. The anti-apartheid campaign motivated endowments and other institutions to divest their portfolios of companies doing business in South Africa as a protest against the regime's system of racial inequality or to engage with companies operating there to work for meaningful change in that country. Environmental catastrophes at Chernobyl, Ukraine, and Bhopal, India, and the Exxon Valdez oil spill in Alaska were flashpoints for investor concerns over pollution, energy use and environmental management. These events inspired investment research firms to collect more extensive data on publicly traded companies by which to assess their environmental systems and performance. The 1980s also witnessed a new interest in corporate governance, as public and labor pension funds joined together to defend their interests after a growing number of companies adopted anti-takeover defenses that infringed on shareholder rights.

The issues that SRI practitioners consider have continued to evolve. Divestment from companies in South Africa faded after the end of apartheid. However, concerns about human rights and repressive regimes have led sustainable investors to look closely at companies facing social, political and "reputational" risks due to their international operations. Many investors have screened out companies doing business in the Sudan, Iran or other regimes that pose "conflict risk" because of their poor records on human rights or because they foment violence or terrorism.

As globalization extended supply-chain operations into emerging markets across the world, sustainable investors have questioned multinational corporations about their impact on the countries in which they and their contractors do business, whether related to the environment or to their use of sweatshop or child labor. Many investors also actively engage with companies in their emerging market portfolios.

Concerns over the risks associated with climate change and with dependence on fossil fuels have broadened the scope of environmental investing. "Green investing" in clean technology, alternative energy and environmental services has fueled considerable economic growth and financial innovation over the last several years, including the development of a market for "green bonds" for environmental projects and services. Additionally, institutional investor coalitions such as the Investor Network on Climate Risk coordinate shareholder advocacy on climate risk and promote public policies to encourage energy efficiency and renewable energy. CDP, a global investor initiative, has encouraged corporations around the world to report a wide array of climate-related data as well as information on water use. The Carbon Tracker Initiative's trailblazing financial research and the fossil fuel divestment campaign have further heightened investor attention to climate change.

The popularity of sustainable investing has also contributed to the creation of SRI indices. Since the 1990 launch of the Domini 400 Social Index now known as the MSCI KLD 400 Social Index, there has been a dramatic expansion of indices that incorporate ESG criteria. Sustainable investment and research firms, such as Calvert Investments, Jantzi-Sustainalytics and WilderShares, offer such indices, as do other financial services groups, such as S&P Dow Jones Indices, FTSE and MSCI Barra.

Sustainable investment analysts now routinely ask whether companies meet reporting and performance standards in areas such as board oversight, climate risk, executive pay, human rights, supply-chain management and use of toxic chemicals. The Global Reporting Initiative, the Sustainability Accounting

Standards Board and the International Integrated Reporting Council are three initiatives that seek to promote and standardize corporate reporting of the ESG data investors need to assess companies' societal and environmental impact and long-term investment potential.

A further sign of the growing demand for and appreciation of ESG factors in investment came in 2016, when MSCI and investment research firm Morningstar each launched initiatives to provide investors with independent assessments of how well the underlying companies in 20,000 mutual funds and exchange-traded funds around the world perform on ESG issues. Morningstar assigns a portfolio sustainability score to each fund in which at least 50 percent of the assets are covered by a company-level ESG score from its research partner Sustainalytics. MSCI ranks funds on factors including sustainable impact and ESG risks, including carbon footprint.

Whether or not investors consider ESG issues when they select their portfolios, they can use shareholder strategies to bring these issues to the attention of management. The rising levels of support in the last decade for shareholder resolutions on an array of environmental, social and corporate governance issues highlight the importance that active asset owners place on corporate social responsibility and corporate governance.

ESG FUND RATINGS

While ESG ratings have proliferated over the past 20 years in response to rising demand from investors, a recent trend finds an increasing number of rating agencies focused on rating funds rather than individual companies. Funds may be rated on the investment manager's intention, the ESG characteristics of their strategy or underlying holdings, and/or the financial performance of the fund.

ESG ratings have traditionally focused on the company level, and until recently investors wishing to evaluate funds using ESG criteria have had few tools to do so. One notable exception is the NI Social Rating (also known as the Heart Rating) by Natural Investments, which since 1992 has analyzed SRI mutual funds for avoidance and affirmative screening, shareholder advocacy, community investing, and a firm's research process.[2] This rating has been useful for investors by providing comparative information that focuses on the process and intent of the fund managers.[3] However, the rating is limited to a selection of only 132 SRI funds and does not consider financial performance.

In 2016, two initiatives were launched to provide investors with independent assessments of how well the underlying companies in a wide swath of mutual funds perform on ESG issues. Morningstar, an investment research firm well-known for its ratings of the financial performance of mutual funds and other investment products, announced a partnership with ESG research firm Sustainalytics to assess 20,000 mutual funds and exchange-traded funds around the world.[4] The Morningstar Sustainability Rating assigns a portfolio sustainability score (a minimum of one and maximum of five "globes") to each fund. Morningstar then assesses how the fund compares with at least 10 category peers.[5]

MSCI also announced that in response to demand from its clients, including some of the world's largest wealth managers, it was launching MSCI ESG Fund Metrics to measure the ESG characteristics of the portfolio holdings of approximately 21,000 mutual funds and ETFs. The offering ranks funds on factors including sustainable impact and ESG risks. Each fund receives an overall score that reflects the ability of the underlying holdings to manage medium- to long-term ESG risks and opportunities.[6] MSCI uses its own internal research arm to assess ratings. Both ratings rate funds on their financial performance. Both ratings are based on what the funds own, and not the fund manager's intent.

Two more thematic rating tools have been developed by As You Sow and Friends of the Earth. Launched in 2015, As You Sow Fossil Free Funds uses industry classification data provided by Morningstar and screens for the fossil fuel industries, which are categorized as Oil/Gas, Coal or Utilities.[7] It uses a five-badge rating system to asses 1,500 mutual funds' underlying exposure to these three industry categories, as well as two fossil fuel divestment target lists, the Carbon Underground 200™ and the Filthy 15. Deforestation Free Funds, launched by Friends of the Earth in collaboration with As You Sow in 2016, follows a similar model, but looks at the underlying holdings invested in palm oil companies and the major consumer brands that buy palm oil for use in their products. The A-F rating includes an engagement score that tries to account for manager's intent in holding flagged companies.[8]

The Search for Sustainability across Asset Classes

The interest in sustainable, responsible and impact investing is not limited to publicly traded securities alone. Religious investors and those involved in the social transformations of the 1960s and 1970s also sought to use their investments to aid in community development efforts throughout the United States and abroad. Community development banks, credit unions, loan funds and affordable housing groups started forming in the 1970s. In 1972, Kentucky Highlands Investment Corporation helped pioneer a new form of "development venture capital," making private equity investments to support entrepreneurs committed to building businesses and hiring the unemployed in distressed rural communities in Appalachia. The Community Reinvestment Act of 1977 further encouraged investment in low-income communities.

Additionally, with the Tax Reform Act of 1969, US foundations gained the ability to meet their annual charitable distribution requirements in part through program-related investments that complement and extend their more traditional grantmaking. These efforts and others laid the groundwork for what eventually developed into the community investing industry.

In the 1980s, labor pension funds and others developed building investment trusts and other alternative investment vehicles that generated social as well as financial returns. In 1989, a US SIF survey found interest among its members in exploring alternative investments, outside of public securities, "that support social products or purposes through direct debt or equity investments or deposits with specialized financial intermediaries."[9]

Developments in the following decade attested to the appeal of alternative investments offering social and environmental benefits. Investors' Circle, a consortium of angel investors, venture capitalists, family offices and foundations, emerged in 1992 to sponsor venture fairs and other activities that to date have generated $165 million in early-stage investments in 265 enterprises and funds dedicated to improving health, educational, environmental and community services.[10]

The community investing industry also developed further in the mid-1990s with the formation of the US Treasury's Community Development Financial Institution (CDFI) Fund, revisions to the Community Reinvestment Act, and creation of the New Markets Tax Credit and other tax incentives that helped to usher new forms of responsible investment into low-income communities.

In addition to supporting low-income and under-served communities in the United States, investors have supported the development of responsible financial services in low- and middle-income countries. The award of the Nobel Peace Prize in 2006 to Muhammad Yunus and the Grameen Bank he founded in Bangladesh to help poor women gain access to credit and financial education highlighted how microfinance can transform poor communities. Many international microfinance institutions have grown from nonprofits dependent on foreign investment to regulated microfinance banks that can accept local deposits from the customers to whom they have always lent.

In 2009, the Global Impact Investing Network was created to bring together investors interested in such investment vehicles and to help drive new investments by high-net-worth individuals, foundations and others into this field. It developed IRIS, a catalog of generally accepted performance metrics in wide use today to aid investors in assessing and reporting on the social and environmental impact of their investments. A related program, GIIRS, a program of the nonprofit group B Labs, rates interested companies and investment funds on their social and environmental impact.

US SIF has defined and included community investing options such as community development banks, credit unions, loan funds, venture capital funds and microfinance funds as an important part of sustainable and responsible investing since the publication of the 1999 Trends Report.

In addition to the community development and microfinance industries now largely established, a growing number of other investment vehicles incorporate ESG criteria into their business strategies—including private equity, property and hedge funds for accredited investors. Some of these funds have explicit missions to support such goals as sustainable agriculture, clean energy, transit-oriented development, education, fair trade or healthcare.

Global Principles and Demand

The creation of the Principles for Responsible Investment (PRI), a global investor network, advances the view that environmental, social and corporate governance issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfill their fiduciary duty. Major institutional asset owners have made clear that they expect investment managers with which they work to join the PRI. This client demand has helped persuade major US asset managers to endorse the PRI and thereby commit to "incorporate ESG issues into investment analysis and decision-making processes" and "in our ownership policies and practices." The increasing incorporation of ESG factors into the investment process of PRI signatories has been a major source of recent growth of SRI assets under professional management in the United States and globally.

Senior leadership of the PRI has committed to ensure that signatories actually implement the PRI's six principles. PRI will institute rules by early 2017 to allow the organization to "delist" signatory firms and institutions that do not meet minimum standards of action.

Sustainable and Responsible Investing Strategies

Sustainable, responsible and impact investors focus on either or both of two strategies.

- One is incorporating ESG criteria into investment analysis and portfolio construction across a range of asset classes.
- A second is filing shareholder resolutions at publicly traded companies and practicing other forms of engagement.

ESG Incorporation

In ESG incorporation, asset managers complement traditional, quantitative techniques of analyzing financial risk and return with qualitative and quantitative analyses of ESG policies, performance, practices and impacts. ESG incorporation can be accomplished in numerous ways:

- **POSITIVE/BEST-IN-CLASS:** Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers. This also includes avoiding companies that do not meet certain ESG performance thresholds.
- **NEGATIVE/EXCLUSIONARY SCREENING:** The exclusion from a fund or plan of certain sectors or companies involved in activities deemed unacceptable or controversial.
- **ESG INTEGRATION:** The systematic and explicit inclusion by investment managers of ESG risks and opportunities into financial analysis.
- **IMPACT INVESTING:** Investment in companies, organizations and funds, often in private markets, with the intention to generate social and environmental impact alongside a financial return, which can range from below market to market rate. (The term impact investing is also used by many investors, including US SIF, to include investing for positive impact in all asset classes.)
- **SUSTAINABILITY THEMED INVESTING:** The selection of assets specifically related to sustainability in single- or multi-themed funds.

The strategies are not mutually exclusive, and money managers may employ more than one within their investment products. As discussed in later chapters, the two ESG incorporation strategies that are most broadly employed today, based on the assets affected, are exclusionary screening and ESG integration. However, in the US SIF Foundation's 2016 survey, nearly as many money managers and institutional investors report that they practice impact investing as those reporting exclusionary screening or integration, although the pool of affected assets is smaller.

Engagement

Engagement involves the actions sustainable investors take to communicate with companies on ESG issues of concern.

For owners of shares in publicly traded companies, shareholder advocacy can take the form of filing and co-filing shareholder resolutions on ESG issues and actively voting their proxies in support of such resolutions, as well as engaging with corporate management over issues of concern, whether directly or through investor networks. Shareholder resolutions on ESG issues generally aim to improve company policies and practices and to promote the long-term concerns of shareholders and other stakeholders. Some sustainable investors also speak out for legislative and regulatory changes that will lead to greater corporate accountability and disclosure on ESG issues.

Increasingly, asset owners and asset managers are exploring ways to become more highly engaged investors on ESG issues not only in public equities but across asset classes. Although this report does not try to measure assets involved in engagement outside of the shareholder resolution filing process, investor engagement is a growing trend to watch.

Structure of This Report

The next chapters of this report examine in more detail the various strategies and practitioners represented in the total $8.72 trillion of SRI assets cited in this introduction.

CHAPTER II, "ESG INCORPORATION BY MONEY MANAGERS AND FINANCIAL INSTITUTIONS," examines the incorporation of ESG issues by money managers across a wide range of investment vehicles—mutual funds, including those underlying annuity products; exchange-traded funds, alternative investment vehicles such as social venture capital, private equity, hedge and property funds; and other commingled products and separate accounts. It also looks at the growth in assets of community development banks, credit unions and loan funds. It quantifies the scope and scale of investment vehicles incorporating ESG factors, the leading ESG criteria incorporated and other leading trends that are shaping the field and driving growth.

CHAPTER III, "ESG INCORPORATION BY INSTITUTIONAL INVESTORS," analyzes leading ESG incorporation trends among institutional investors, such as public funds, corporations, educational institutions, faith-based institutions, philanthropic foundations, hospitals and healthcare plans, labor unions, other nonprofit organizations and family offices.

CHAPTER IV, "INVESTOR ADVOCACY AND PUBLIC ENGAGEMENT," analyzes trends in active ownership strategies, such as filing shareholder resolutions, proxy voting and engaging companies in dialogue in order to hold corporations accountable for their practices and social and environmental impact. It quantifies the number of institutional investors and money managers that filed or co-filed shareholder resolutions at publicly traded companies in recent years and the value of the assets they control. It also looks at the networks sustainable investors have formed to have a more prominent voice in the public policy arena.

CHAPTER V, "METHODOLOGY," presents the methods and sources used to compile this report.

CHAPTER VI, "ABOUT THE PUBLISHER," provides further details about the US SIF Foundation and US SIF.

A bibliography of recent research and literature on SRI and a list of online resources can be found at the conclusion of this report. Among the appendices are a glossary of ESG incorporation criteria and lists of ESG vehicles and community investing institutions, of institutional investors and money managers engaged in ESG incorporation, and of the institutions and managers that have filed or co-filed shareholder resolutions on ESG issues in recent years.

II. ESG Incorporation by Money Managers and Financial Institutions

Money managers and financial institutions now incorporate environmental, social and governance (ESG) issues into their investment research, analysis and decision making across portfolios that totaled $8.10 trillion at the start of 2016, a 68 percent increase from 2014. These ESG assets are managed by 300 management firms and 1,043 community investing institutions.

Out of this total of $8.10 trillion, managers with nearly $7 trillion in assets under management reported that they looked at environmental, social or governance issues, but usually without providing further detail on specific criteria under these broad categories.

This robust growth extends the trend observed between 2012 and 2014 and reflects the consideration of ESG criteria by money managers across broader portions of their holdings, often in response to client demand. Asset owners, whose incorporation of ESG factors is explored in the next chapter, increasingly ask that asset managers incorporate ESG criteria into their investment mandates. Several money managers told us that they are only now starting to report ESG incorporation strategies that they have been undertaking for years. A key driver for this increase in reporting is the Principles for Responsible Investment (PRI), which requires its signatories to report on how they are implementing the principles and has made these reports public since 2014.

Key Trends

- The number of money managers incorporating environmental, social and governance criteria has continued to rise. Across all investment vehicles, the US SIF Foundation identified $7.79 trillion in assets incorporating environmental criteria, $7.78 trillion incorporating social criteria, and $7.70 trillion incorporating governance criteria.
- However, money managers for more than half of these ESG assets—$5.38 trillion—did not provide information on the number of specific products that were subject to the ESG criteria, and generally were close-lipped on the specific ESG criteria they considered.
- When it comes to specific ESG criteria, “conflict risk” analysis, including the exclusion of companies doing business in countries with repressive regimes or that sponsor terrorism, holds the most weight, with $1.54 trillion in assets affected.
- Consideration of specific environmental criteria has grown substantially, a reflection both of increased investor concern about risks associated with climate change and of managers focusing strategies on low-carbon alternatives and climate solutions. Climate change criteria shape the investment of $1.42 trillion in assets under management, a more than fivefold increase since 2014. Clean technology is a consideration incorporated by money managers with $354 billion in assets under management.

Background

This chapter focuses on money managers that incorporate ESG criteria into their investment analysis and decision making and on community investment institutions. (Chapter IV provides additional information on money managers that have filed or co-filed resolutions on ESG issues since 2014.) The chapter is divided into four sections. The first examines the leading themes, strategies and motivations that money managers report for incorporating ESG criteria into asset management. The second section provides more detailed analysis by the types of investment funds and other pooled products that incorporate ESG criteria. The third section looks at ESG incorporation across other unlisted money manager products. The final section examines community investing, including an analysis of the growth of community development financial institutions, such as community development banks, community development credit unions, community development loan funds and community development venture capital funds.

Through the US SIF Foundation survey process, money managers could select up to 32 criteria considered by each investment vehicle, broken into environmental, social (including community), governance and product-related categories. They also had the option to specify any additional ESG criteria they considered.

How investors incorporate each of these criteria varies. For example, "tobacco," "military/weapons" and "fossil fuel" signify industries or sectors that investors may seek to avoid. Criteria such as "clean technology" and "place-based investing" may be selected by investors actively pursuing investment in these fields. Other criteria such as "labor," "EEO/diversity," and "sustainable natural resources" may represent metrics upon which investors evaluate companies. Appendix 1, the Glossary of Environmental, Social and Governance Criteria, provides a more thorough explanation of each of the ESG issues discussed in this report.

The $8.10 trillion in assets that money managers and community investing institutions report as incorporating some form of ESG criteria is an increase of more than $3 trillion since 2014. These assets also made up the vast majority of the total $8.72 trillion in US-based assets engaged in either ESG incorporation or shareholder advocacy, as shown in Figure 2.0.

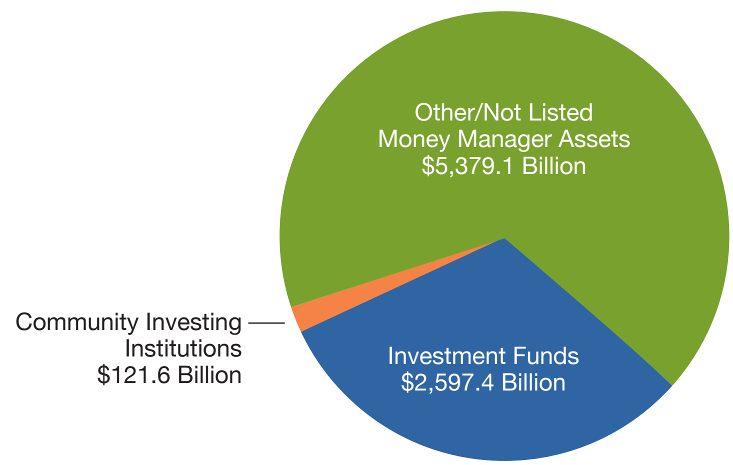
Fig. 2.0: Sustainable and Responsible Investing Assets 2016

ESG Incorporation		**(in Billions)**
Money Managers	$8,097.9	
Institutional Investors	$4,724.5	
Overlapping Assets	$(4,724.5)	
Subtotal		**$8,097.9**
Filing Shareholder Resolutions		
Money Managers	$1,038.6	
Institutional Investors	$1,519.6	
Subtotal		**$2,558.2**
Overlapping Strategies		$(1,932.9)
Total		**$8,723.22**

SOURCE: US SIF Foundation.
NOTE: ESG Incorporation includes community investing institutions (CIIs).
US SIF Foundation identified over $5.1 trillion in the institutional portion of Money Managers' ESG assets under management, so the Institutional Investors' ESG assets identified separately are removed to control for the potential inflationary effects of double counting. For more details, see Chapter V: Methodology.

As shown in Figure 2.1, the ESG assets reported by money managers and financial institutions included $2.60 trillion in investment funds and other pooled products and nearly $122 billion in community development institutions at the start of 2016. An additional $5.38 trillion incorporated ESG criteria, but either the investment vehicles were not specified or were listed as a separate account strategy. These two categories were combined in this year's report as "other/not listed money manager assets."

Fig. 2.1: Money Manager Assets Incorporating ESG Criteria 2016



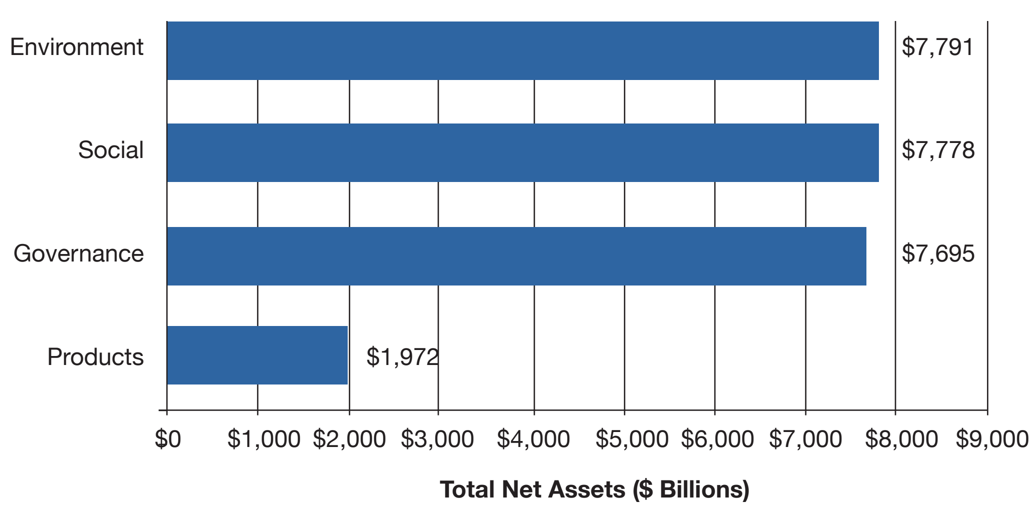
SOURCE: US SIF Foundation.
NOTE: Investment funds include mutual funds, variable annuities, ETFs, closed-end funds, alternatives and other pooled products.

A Closer Look at Themes, Strategies and Motivations for Money Managers

Money managers of all types incorporate ESG criteria into their investment decisions. They include managed registered investment vehicles like mutual funds and exchange-traded funds (ETFs), as well as hedge funds, property funds or real estate investment trusts, private equity and venture capital funds, separate accounts and other pooled products.

Across these collective assets under management, the greatest share—$7.79 trillion—incorporated environmental criteria, as shown in Figure 2.2. This is a shift from 2014, when social criteria were predominant in asset-weighted terms. This year, investment vehicles with $7.78 trillion in assets under management took social or community criteria of some kind into consideration, followed by vehicles with $7.70 trillion that focused on governance-related criteria. Each of these three categories increased by over $3 trillion since 2014; assets associated with environmental criteria increased by over $4.8 trillion during that time period. Finally, product-related criteria, such as restrictions on investing in tobacco or alcohol, affected a much small pooler of assets under management—$1.97 trillion.

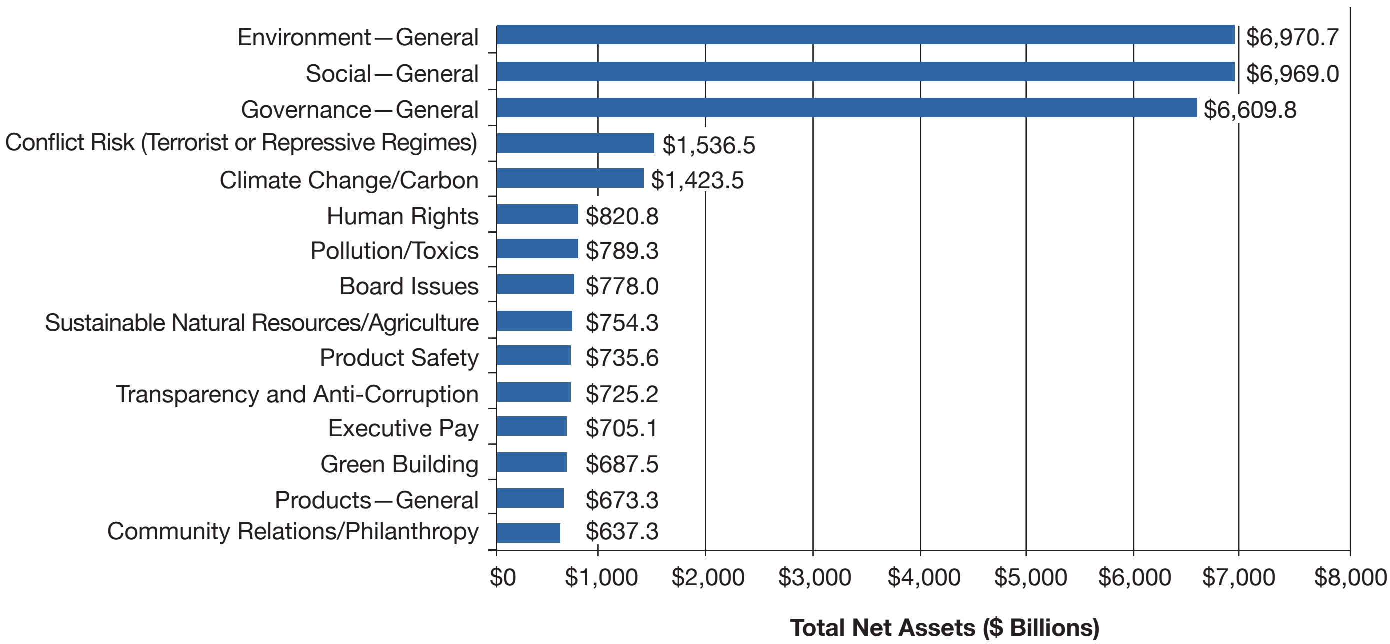
Fig. 2.2: ESG Categories Incorporated by Money Managers 2016



SOURCE: US SIF Foundation.
NOTE: Social category includes all community-related criteria.

Many of the money managers identified in 2016 as practicing ESG incorporation do not specify the particular environmental, social or governance factors used. Instead, they report "ESG incorporation" or "ESG integration" across most or all of their assets under management without clarifying the specific criteria they consider in this process. According to a 2013 PRI Report, ESG integration may include how ESG factors affect economic growth, regulatory change, company risks and opportunities and operational efficiencies.[1] The ESG integration process varies by money manager and may be considered proprietary information, the details of which are kept confidential. Many of these managers are recent signatories to the PRI, which requires participants to publish a Transparency Report after one year of membership. We have included unspecified ESG integration or incorporation within the "General" environmental, social or governance categories, shown in Figure 2.3.[2]

Figure 2.3: Leading ESG Criteria, by Assets, for Money Managers 2016



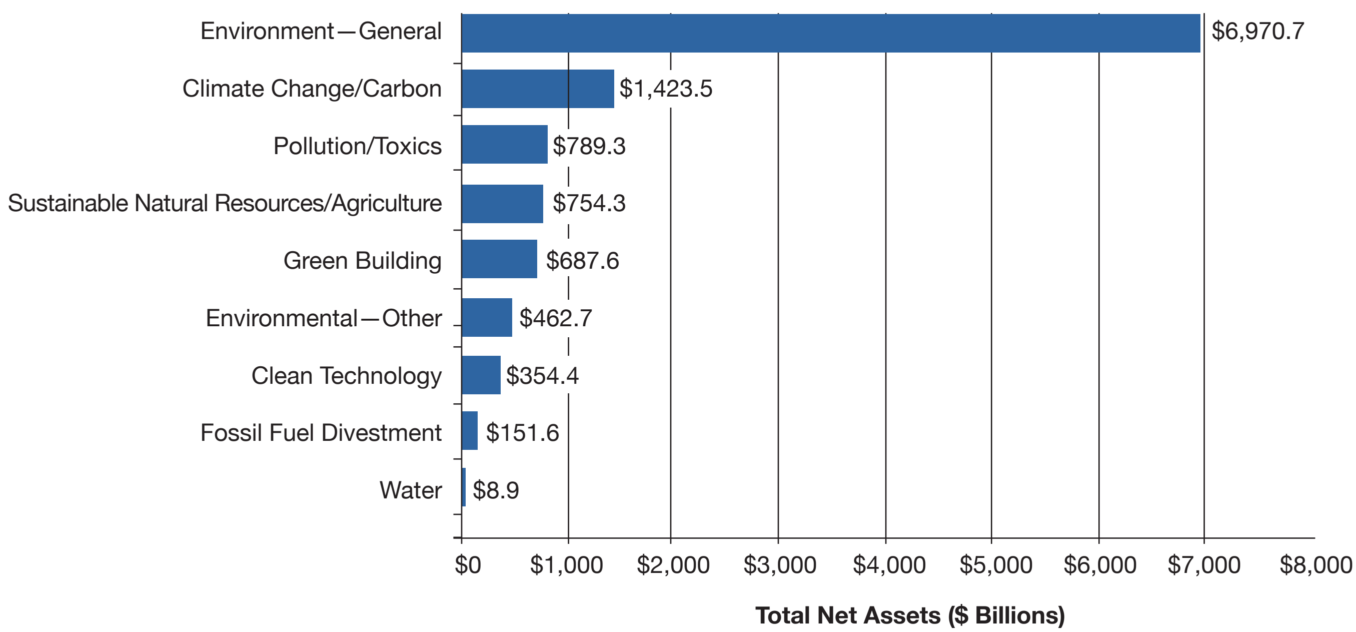
SOURCE: US SIF Foundation.
NOTE: Data are aggregated across all investment vehicle types, including separate account vehicles and other/not listed.

Environmental Issues

At the beginning of 2016, money managers reported that they incorporated environmental factors into $7.79 trillion in assets under management. Of this group, managers with $6.97 trillion in assets say they consider environmental issues generally but in most cases did not provide more specific information. (See Figure 2.4.)

After unspecified environmental criteria, **climate change** is the most significant environmental factor considered by money managers in terms of assets under management; the amount is more than five times higher than in 2014, at $1.42 trillion. When considering that ESG integration often includes assessing environmental risks such as those related to climate change, this is likely an undercount of the total assets incorporating this criterion. Investors played an important role before the United Nations

Fig. 2.4: Leading Environmental Criteria for Money Managers 2016



SOURCE: US SIF Foundation.

Framework Convention on Climate Change, or COP21, which took place in December 2015 in Paris and renewed focus on emissions reductions and keeping global temperature increases below two degrees Celsius. Beginning in 2014, global investors with more than $10 trillion in assets began signing the "Montreal Pledge," committing to measure the carbon footprint of their investment portfolios in the run up to COP21. US money managers such as Boston Common Asset Management, Calvert Investments, Pax World Management, the Sustainability Group at Loring, Wolcott & Coolidge and Trillium Asset Management were among more than 120 asset managers and institutional investors from around the world to join the Montreal Pledge. The Portfolio Decarbonization Coalition has similarly encouraged investors to reduce the carbon intensity of their investment portfolios.

In addition, investors have increasingly embraced financial analysis of "stranded asset" risk—the idea that fossil fuel companies may be forced to abandon undeveloped carbon reserves in order to avoid massive dislocations associated with global warming.[3] At the end of 2015, for example, both Royal Dutch Shell and Exxon Mobil abandoned exploration in the Arctic, one sign of the companies' concern over this overvaluation.[4]

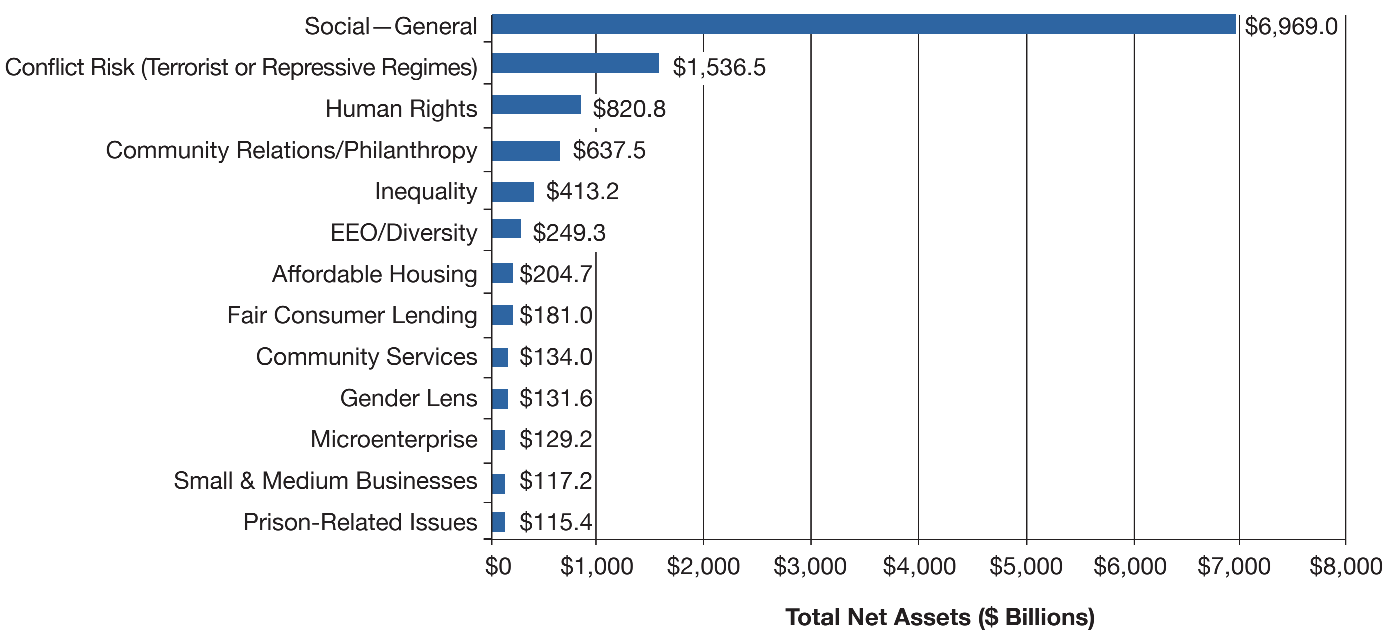
In response to these concerns, money managers are increasingly divesting in some way from fossil fuels, such as divesting from the largest oil, gas and coal corporations in terms of proven carbon reserves or from companies developing coal or tar sands projects. In 2014, the US SIF Foundation began tracking investors who reported **fossil fuel divestment**, defined as the exclusion or partial exclusion of companies engaged in the extraction or production of coal, oil or natural gas. At the beginning of 2014, money managers had reported that they were applying restrictions related to fossil fuel to $29 billion in assets. Two years later, that has increased more than fivefold to nearly $152 billion in assets under management. This trend follows the larger Divest-Invest movement, which now includes over 400 individual signatories as well as dozens of supporting nonprofits and money managers that have pledged to divest from fossil fuels and invest in climate solutions and a new energy economy.[5]

Of the other environmental criteria tracked, the assets associated with many of them have increased substantially. Issues related to **pollution and toxics** affect $789 billion, nearly triple the assets so affected in 2014. This category includes waste management, an area of growing concern for investors and consumers alike. Concern for **sustainable natural resources** affects $754 billion in money manager assets, more than six times the $123 billion affected in 2014. Consideration for **green buildings and smart growth** affects $688 billion in assets under management, more than four times the assets in 2014.

Social Issues

At the outset of 2016, social factors were incorporated into $7.78 trillion in assets under management. Out of this total, Figure 2.5 highlights that managers apply general, unspecified social factors to the management of $6.97 trillion in assets.

Fig. 2.5: Leading Social Criteria for Money Managers 2016



SOURCE: US SIF Foundation.

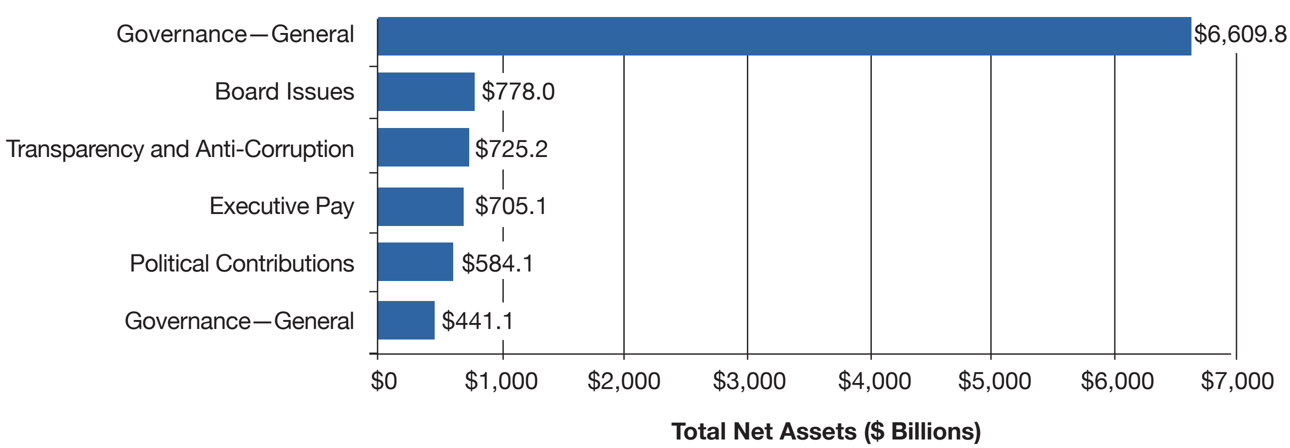
In terms of specific social criteria, **conflict risk**, including policies restricting investment in companies doing business in terrorist or repressive regimes such as Sudan or Iran, topped the list, affecting $1.54 trillion in assets under management. **Human rights** was the next most widely considered social criterion in terms of assets, with $821 billion affected. **Community relations and philanthropy** affected nearly $638 billion assets—an increase of over 550 percent since 2014.

For this report, the US SIF Foundation formally tracked three new social and community-related criteria that investors are increasingly incorporating into investment analysis and decision making, related to women and gender, prisons and criminal justice, and place-based investing. At the start of 2016, managers with nearly $132 billion in assets under management integrated **gender lens** criteria, defined as investment with an explicit focus on products or companies that actively support women's issues and socioeconomic advancement.[6] A second criterion added in 2016 is **prison-related issues**, including risks associated with for-profit prisons, providing services to prisoners at predatory pricing, or refusing to hire ex-offenders. The addition of this criterion coincided with calls for divestment from for-profit prisons and investor involvement in "Ban the Box" campaigns, which seek to remove potentially discriminatory criminal history questions from employment applications. At the beginning of 2016, money managers with $115 billion assets considered prison-related issues. Finally, **place-based investing**, which targets a defined geographic area for positive financial as well as environmental or social returns, were separately tracked in 2016. Money managers reported $22 billion in geographically targeted assets under management, with particular focus on regions such as emerging markets abroad, New York City, the Pacific Northwest and Louisiana.

Corporate Governance

Money managers incorporated corporate governance criteria into the management of $7.70 trillion assets at the beginning of 2016. While slightly lower than the incorporation of environmental or social criteria, assets managed with governance considerations nevertheless also saw a dramatic increase over 2014, more than doubling from $3.53 trillion. While corporate governance issues are often the subject of shareholder engagement with companies, they are also a critical component of investment selection. According to a 2015 survey of investment professionals from the CFA Institute and Investor Responsibility Research Center Institute (IRRC Institute), board accountability and executive compensation are two of the issues considered most important to investment analysis and decision making.[7]

Fig. 2.6: Leading Governance Criteria for Money Managers 2016



SOURCE: US SIF Foundation.

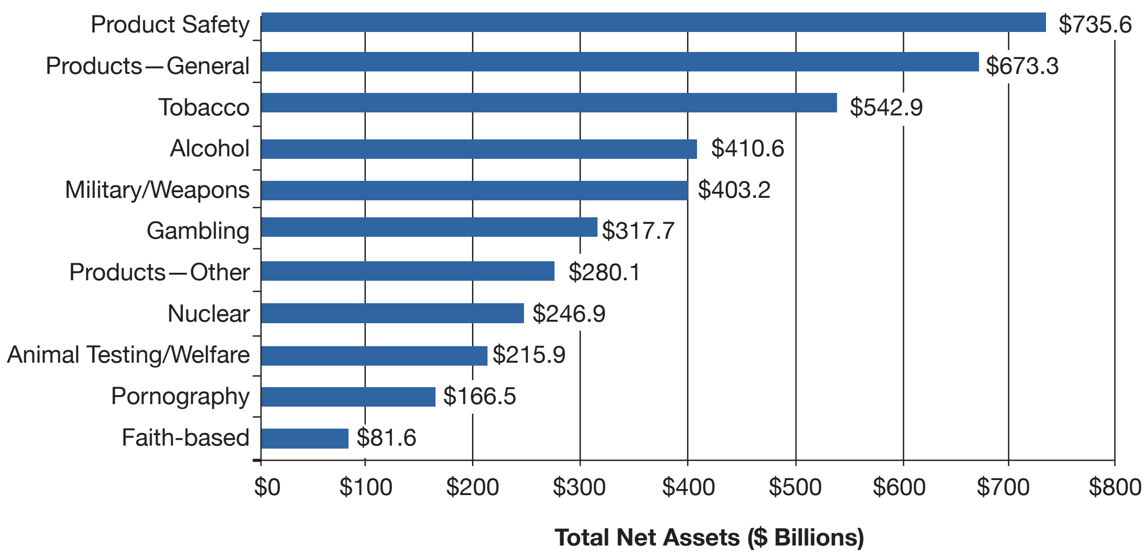
As shown in Figure 2.6, managers with $6.61 trillion in assets reported that they consider general, unspecified governance issues. The leading specific governance criterion incorporated by money managers is board issues, which includes matters such as directors' independence, diversity, pay and responsiveness to shareholders. **Board issues** affected $778 billion in assets under management, an increase of over 240 percent from 2014. The growing popularity of gender lens investing, previously described, is helping to drive investor interest in increasing the representation of women on boards. **Transparency and anti-corruption** was considered by money managers with $725 billion in assets, slightly more than the $705 billion in assets that incorporated **executive compensation** into investment management. Six years after the *Citizens United v. Federal Election Commission* ruling, a number of SRI investors consider **corporate political contributions and lobbying** activities as part of their investment decision-making, affecting the management of $584 billion in assets.

Product-Related Criteria

The incorporation of product-related ESG criteria grew modestly in asset-weighted terms to reach $1.97 trillion in 2016, an increase of 12 percent from 2014.

In years past, restrictions related to tobacco and alcohol have been the most popular product-related criteria incorporated by money managers. This year, however, product safety tops the list at nearly $736 billion in affected assets, and unspecified general product criteria affect $673 billion. Restrictions on tobacco placed third in terms of assets, with $543 billion under management, followed by alcohol, military weapons and firearms, and gambling, as Figure 2.7 highlights.

Fig. 2.7: Leading Product-Related Investing Criteria for Money Managers 2016



SOURCE: US SIF Foundation.

ESG Incorporation Strategies

Of the 300 money managers included in this report, a subset of 100 money managers voluntarily disclosed additional information on their ESG incorporation strategies. These money managers provided details about the strategies they use to incorporate ESG criteria into their asset management, as shown in Figure 2.8.

The largest pool of these assets—$1.51 trillion—employs ESG integration. This is followed by negative screening, at $927 billion. The assets associated with positive screening, or inclusion based on best-in-class criteria, is significantly lower, with $64 billion in assets affected. Still, 62 percent of money managers reported using these three ESG incorporation strategies.

Fig. 2.8: ESG Incorporation Strategies by Money Managers 2016	No. of Money Managers	% of Managers Reporting	Assets Affected (in Billions)
Negative/exclusionary: the exclusion from a fund or plan of certain sectors or companies based on specific ESG criteria	62	62%	$927
ESG integration: the systematic and explicit inclusion by investment managers of ESG risks and opportunities into traditional financial analysis	62	62%	$1,507
Positive/best-in-class: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers	62	62%	$64
Impact investing: targeted investments, typically made in private markets, aimed at solving social or environmental problems	56	56%	$32
Sustainability themed investing: the selection of assets specifically related to sustainability in single- or multi-themed funds	47	47%	$19
Total Responding	**100**		**$2,100**

SOURCE: US SIF Foundation.
NOTE: Some managers disclosed using multiple strategies within funds, so affected assets may overlap and percentages do not sum. Managers of community development loan funds who responded voluntarily to these questions are also included.

A slightly smaller majority of reporting money managers—56 percent—said that they committed $32 billion to impact investing. Finally, 47 percent of money managers committed $19 billion to sustainability themed investing, including around issues such as agriculture, energy, water and clean technology.

Motivations for ESG Incorporation

A slightly larger subset of 105 money managers voluntarily responded to a question on why they incorporate ESG criteria into their investment decisions. Of these, the largest majority (85 percent) reported client demand as a motivation, as shown in Figure 2.9. This was closely followed by mission or values-related motivations (83 percent), risk reduction and management (81 percent), and stronger financial performance (80 percent).

Fig. 2.9: Reasons Managers Report Incorporating ESG Factors 2016

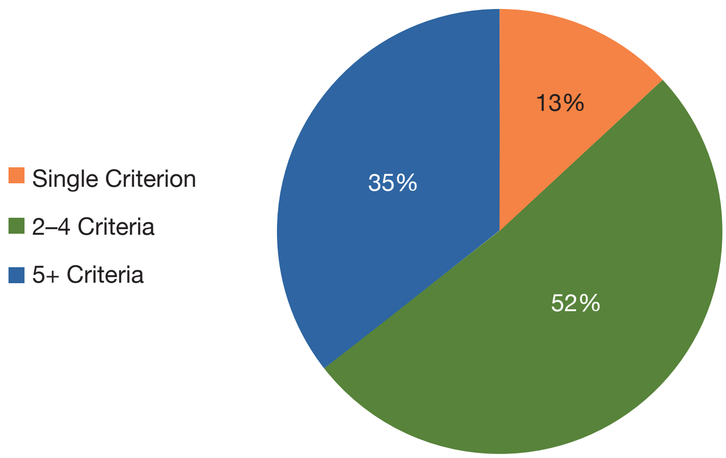
Reason	No. of Managers	% of Managers Responding	ESG Assets (in Billions)
Client Demand	89	85%	$2,447
Mission	87	83%	$1,844
Risk	85	81%	$2,755
Returns	84	80%	$2,714
Social Benefit	83	79%	$1,993
Fiduciary Duty	67	64%	$1,867
Regulatory Compliance	23	22%	$960
Total Responding	**105**		**$2,871**

SOURCE: US SIF Foundation.
NOTE: Managers of community development loan funds who responded to these questions are also included. Respondents could choose multiple reasons, so counts and percentages do not sum.

Frequency of ESG Incorporation

As we have seen, money managers apply ESG criteria in different ways, and they may vary their approaches to ESG incorporation within the investment vehicles they manage. Some may choose to divest from or screen out a particular set of companies, such as fossil fuels or firearms; others, particularly in the alternative asset management space, may target investments in clean technology or companies providing leadership on women's issues and diversity. Many will incorporate a wide array of SRI issues into investment management. Indeed, as Figure 2.10 highlights, the vast majority of ESG investment vehicles—87 percent—incorporated two or more ESG factors in their process. Of these, 35 percent of investment vehicles incorporated five or more ESG criteria across their portfolios. Only 13 percent of ESG investment vehicles were identified as investing around only a single issue or criterion, down from 15 to 17 percent in 2012 and 2014.

Fig. 2.10: Frequency of ESG Criteria Incorporation in Investment Vehicles 2016



SOURCE: US SIF Foundation.
NOTE: The frequency of ESG incorporation is as a percentage of total number of ESG investment vehicles. This figure excludes separate account vehicles and other/not listed vehicles.

ESG Incorporation by Types of Investment Vehicles

For this report, the US SIF Foundation surveyed money managers about eight specific kinds of investment vehicles: mutual funds, variable annuities, exchange-traded funds (ETFs), closed-end funds, hedge funds, private equity and venture capital funds, responsible property funds and other pooled products. (See Figures 2.11 and 2.12.) This section explores ESG investing trends by these specific kinds of investment products.

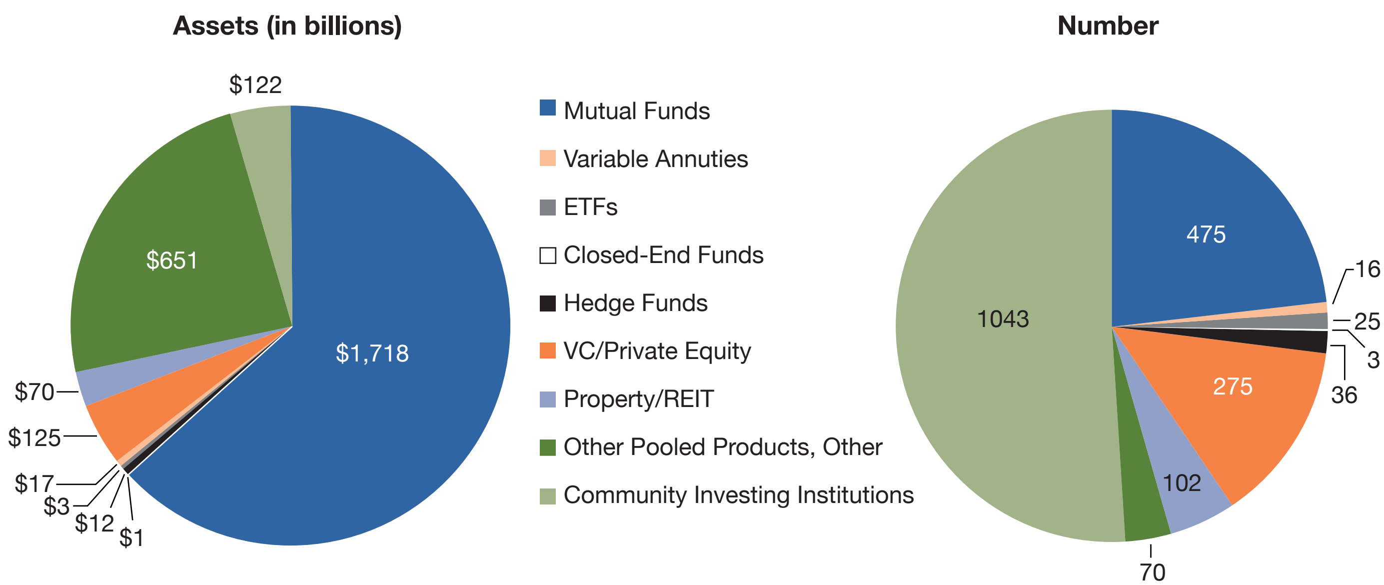
Fig. 2.11: Types and Assets of Investment Vehicles Incorporating ESG Criteria 2016

	Number	Assets (in Billions)
Mutual Funds	475	$1,718.3
Variable Annuities	16	$16.9
ETFs	25	$3.5
Closed-End Funds	3	$0.7
Alternatives	413	$206.3
Other Pooled Products	70	$651.7
Total Investment Vehicles	**1,002**	**$2,597.4**

SOURCE: US SIF Foundation.
NOTE: The vehicle counts include 115 investment vehicles that were labeled "funds of funds," but the assets have been controlled for double-counting here and in aggregation.

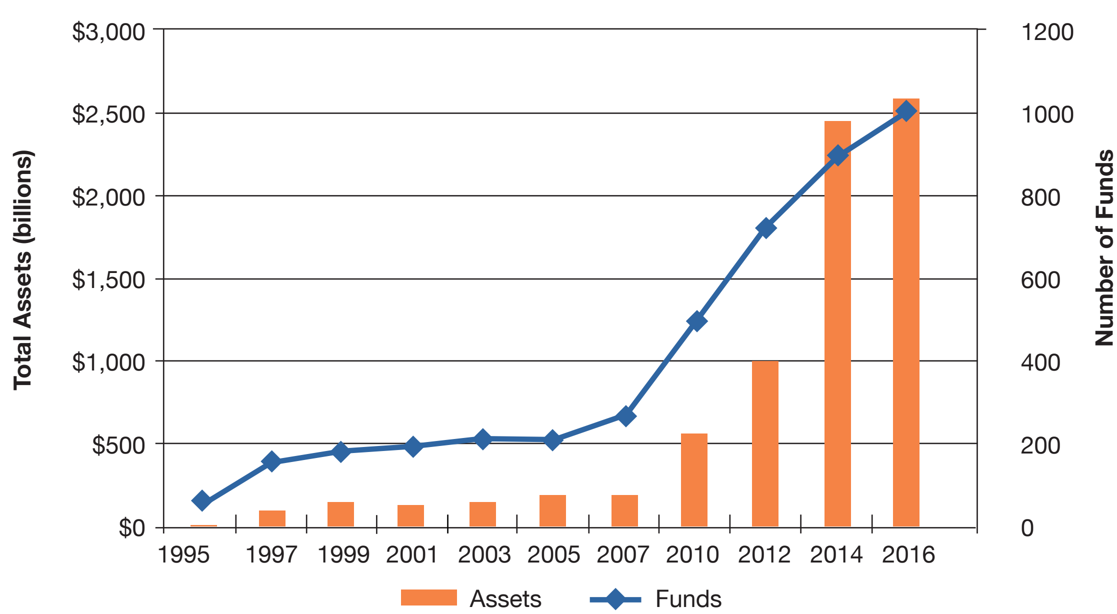
The assets and numbers of investment funds that incorporate ESG criteria have more than doubled from the $1.01 trillion tracked in 2012, and increased more than 10 times from the $202 billion in assets in 2007. In 2016, the total ESG assets of investment funds and other listed pooled products have risen to $2.60 trillion, an increase of 6 percent since 2014, as shown in Figure 2.13. The 475 mutual funds comprise both the greatest number of ESG funds and the largest share of ESG fund assets under management: $1.72 trillion.

Fig. 2.12: Types and Assets of Investment Vehicles and Financial Institutions Incorporating ESG Criteria 2016



SOURCE: US SIF Foundation.
NOTE: For the purpose of this figure, community development venture capital funds are grouped with community investing institutions.

Fig. 2.13: ESG Funds 1995–2016



SOURCE: US SIF Foundation.
NOTE: This figure excludes separate account vehicles and community investing institutions. Beginning in 2014, other/not listed products are excluded from both fund counts and assets.

Registered Investment Companies

The US Securities and Exchange Commission (SEC) regulates certain types of investment vehicles as "registered investment companies"—specifically, mutual funds, variable annuity funds, exchange-traded funds and closed-end funds.

MUTUAL FUNDS are a type of investment vehicle that pools money from many different investors, including both retail and institutional investors, and invests in a set of stocks, bonds or other securities. Legally, these are known as "open-end funds"; unlike closed-end funds, mutual funds have an unlimited number of investors: there is no cap on the number of shares that can be bought.

Investors buy their shares in a mutual fund from the fund itself (or a broker for the fund), instead of from another investor on the open market. These shares are then redeemable: investors can sell their shares back to the fund (or its broker) in exchange for their value. The price of the mutual fund is set at the end of each day based on the value of the companies in the fund.

Mutual funds are available to retail investors, but some also have an institutional share class with a higher minimum investment. Retail investors can invest in mutual funds through their retirement plans or directly purchase shares from the fund or through a broker for the fund.

As in years past, mutual funds account for the majority of funds among registered investment companies considering ESG criteria. At the outset of 2016, 475 mutual funds with $1.72 trillion in assets under management were subject to some form of ESG criteria.

VARIABLE ANNUITY FUNDS, a subset of mutual funds, are investment contracts sold through an insurance company. They are used for long-term savings, usually for retirement. Individual investors buy into a variable annuity through an insurance company, which then invests in a number of mutual funds on behalf of the investor.

As part of this chapter's analysis of ESG incorporation trends, variable annuity products are included within the category of "mutual funds."

As demonstrated in Figure 2.14, the number of mutual funds incorporating ESG criteria has been increasing since 2001. The most substantial increase in terms of both assets under management and number of investment vehicles occurred between 2012 and 2014, when assets increased nearly 200 percent and funds increased 37 percent. According to the Investment Company Institute's 2016 Investment Company Fact Book, US-based mutual funds held $15.7 trillion in assets under management at the beginning of 2016.[8] Thus, this group of sustainable and responsible mutual funds constitutes 12 percent of the total assets.

In contrast, both the number of variable annuities incorporating ESG criteria and the assets under management in these funds have declined substantially since 2014. This appears to be due to changes in how money managers are reporting the way they incorporate sustainable and responsible investing criteria into these products.

Fig. 2.14: ESG Mutual Funds 2001–2016

(In Billions)	2001		2003		2005		2007		2010		2012		2014		2016	
	#	Assets	#	Assets	#	Assets	#	Assets	#	Assets	#	Assets	#	Assets	#	Assets
Mutual Funds (ex-Variable Annuity)	154	$111	178	$127	151	$148	154	$159	223	$139	302	$456	415	$1,675	475	$1,718
Variable Annuities	13	$7	11	$2	22	$11	19	$12	27	$177	31	$185	41	$250	16	$17
Total Mutual Funds	**167**	**$118**	**189**	**$129**	**173**	**$159**	**173**	**$172**	**250**	**$316**	**333**	**$641**	**456**	**$1,925**	**491**	**$1,735**

SOURCE: US SIF Foundation.

As shown in Figure 2.15, 391 mutual funds took both environmental and governance criteria into account, while 390 funds considered social issues. Product-related issues affected a much smaller number of mutual funds and associated assets.

Fig. 2.15: ESG Categories Incorporated by Mutual Funds 2016

	No. of Funds	Assets (in Billions)
Environment	391	$1,694.5
Social	390	$1,698.3
Governance	391	$1,684.9
Products	214	$204.9
Total Across All Categories	**491**	**$1,735.2**

SOURCE: US SIF Foundation.
NOTE: Analysis based on assets of mutual funds, including those underlying variable annuity products.

Fig. 2.16: Leading ESG Criteria for Mutual Funds 2016

	No. of Funds	Assets (in Billions)
Environmental—General	278	$1,643
Governance—General	269	$1,642
Social—General	269	$1,642
Conflict Risk (Terrorist or Repressive Regimes)	296	$663
Tobacco	195	$206
Alcohol	173	$198
Gambling	167	$86
Military/Weapons	130	$71
Labor	105	$64
Human Rights	111	$61
Climate Change/Carbon	108	$58
Pollution/Toxics	106	$57
Total Across All Criteria	**491**	**$1,735**

SOURCE: US SIF Foundation.
NOTE: Analysis based on assets of mutual funds, including those underlying variable annuity products.

Delving deeper, Figure 2.16 shows that the largest proportion of assets of mutual funds is subject to unspecified environmental, social and governance criteria. Each of these three criteria affects $1.64 trillion in assets under management.

The largest number of mutual funds reported investment criteria related to **conflict risk**—avoiding businesses operating in countries with repressive regimes or that sponsor terrorism. These policies affected 296 funds with nearly $663 billion in assets under management at the beginning of 2016. This is a major decrease from 2014, when 255 mutual funds representing $1.38 trillion in assets reported restrictions on investing in companies doing business in Sudan. In addition to Sudan, the mutual funds that reported conflict risk restrictions in 2016 cited Iran, Burma, North Korea and Syria as specific countries they avoided.

While the number of funds with restrictions on holdings in **tobacco** and **alcohol** has increased slightly since 2014, the associated assets have gone down substantially. At the beginning of 2016, 195 mutual funds managing $206 billion in assets screened for tobacco, compared with 184 funds and $477 billion in assets in 2014. At the same time, 173 funds with $198 billion in assets under management screened for alcohol, versus 154 mutual funds with $410 billion two years earlier.

EXCHANGE-TRADED FUNDS (ETFs) are a type of security intended to track a market index. They are legally distinct from mutual funds because they are traded each day on the stock market, and their values fluctuate intra-day. Both retail and institutional investors can buy and sell shares of an ETF through a broker.

US SIF Foundation first included ETFs in its research in 2007, identifying eight ESG-themed ETFs with $2.25 billion in total net assets. At the start of 2016, 25 ETFs with $3.5 billion in total assets incorporated environmental, social and governance criteria. While the number of funds increased slightly from 2014, the associated assets have held steady.

Environmental screens continue to be popular themes for these ETFs, as shown in Figure 2.17. Of the 25 ETFs reported, 15 funds with $940 million in assets track clean energy or **clean technology** markets, nine funds with $660 million consider **climate change**, and eight funds with $1.56 billion track **sustainable natural resources**, such as agriculture, timber or water. Van Eck, Invesco PowerShares, First Trust Capital and Guggenheim Funds all have ETFs that utilize environmental screens. ETFs that include a screen against fossil fuels have also risen since 2014, to $67 million in assets. The GIVE Global ETF and State Street SPDR S&P 500 Fossil Fuel Free ETF are two examples of these products.

Fig. 2.17: Leading ESG Criteria for Exchange-Traded Funds 2016

	No. of Funds	Assets (in Billions)
Natural Resources/Agriculture	8	$1.56
Clean Technology	15	$0.94
Tobacco	3	$0.86
Environmental—General	2	$0.86
Social—General	2	$0.86
Governance—General	2	$0.86
Climate Change/ Carbon	9	$0.66
Military/ Weapons	2	$0.50
Gambling	2	$0.50
Nuclear	1	$0.50
Pornography	1	$0.50
Total Across All Criteria	**25**	**$3.48**

SOURCE: US SIF Foundation.

One change in 2016 is the increase in assets associated with tobacco exclusions—three funds with $860 million reported using this criterion, versus none in 2014.

CLOSED-END FUNDS are a type of mutual fund that generates a fixed number of shares, either listed on a stock exchange or traded on a secondary market. The assets can be invested in stocks, bonds or other securities, and the portfolios are managed in accordance with the fund's investment policies and objectives.

In 2016, three closed-end funds with $700 million in assets under management incorporated ESG criteria. Within these, funds with $412 million in assets incorporated product-specific criteria, and incorporated general environmental, social and governance criteria in $262 million in assets.

Alternative Investment Vehicles

ESG alternative investment vehicles, which are unregistered and available only to accredited investors, include social venture capital funds, double- and triple-bottom-line private equity funds, hedge funds and property funds. They are typically organized either as limited partnerships or limited liability corporations. At the start of 2016, $206 billion in capital was identified under the management of 413 alternative investment vehicles, as shown in Figure 2.18. Due to the opaque nature of the alternative investment space, this figure is likely a conservative estimate of ESG alternative investment vehicles.

Fig. 2.18: Alternative Investment Vehicles Incorporating ESG Criteria 2016

	No. of Funds	Assets (in Billions)
VC/Private Equity	275	$124.9
Property/REIT	102	$69.6
Hedge Funds	36	$11.7
Total	**413**	**$206.3**

SOURCE: US SIF Foundation.

After some significant growth in previous years, alternative investments have largely leveled off within the sustainable investing space. Their total assets have increased approximately 2 percent in the past two years, while the number of funds increased approximately 20 percent. Although the total number of venture capital (VC), private equity and property and real estate investment trust (REIT) funds increased at the beginning of 2016, the only asset growth occurred within hedge funds, where assets increased 244 percent since 2014.

Environmental issues are especially pronounced among the ESG issues that alternative fund managers consider: 354 funds with $197 billion in assets under management were affected in 2016, as shown in Figure 2.19. Clean technology, climate change, green building, natural resources and sustainable agriculture, and pollution/toxics were criteria used by more than 100 distinct alternative investment funds. A smaller number of funds—237 funds with $162 billion in assets—consider social issues, including 40 funds that consider labor issues.

Fig. 2.19: ESG Categories Incorporated by Alternative Investment Vehicles 2016

	No. of Funds	Assets (in Billions)
Environment	354	$197.2
Social	237	$162.4
Governance	215	$146.7
Products	13	$79.1
Total	**413**	**$206.3**

SOURCE: US SIF Foundation.

PRIVATE EQUITY AND VENTURE CAPITAL FUNDS invest in private unlisted companies at various stages of their development. Unlike public equity funds, investors in private equity provide capital and work with investees to grow their businesses and create value, in exchange for more control and access to better information.[9] Venture capital investments are often thought of as a subset of private equity, the distinguishing features being smaller initial investments, higher risks and a tendency to invest in start-up stage enterprises. Private equity investments generally target the later stages, from mezzanine financing for more established companies to leveraged buy-outs of companies during a turnaround phase. Community development venture capital (CDVC) and many self-described impact investment vehicles are forms of venture capital and private equity.

Although the number of venture capital or private equity funds incorporating ESG criteria has increased since 2014, from 212 funds to 275 funds, the assets declined slightly, by 10 billion dollars. This asset class continues to offer opportunities to invest for impact around climate solutions. At the beginning of 2016, the vast majority of funds—112—focused on **clean technology**, and 56 funds considered **climate change** criteria (Fig. 2.20).

Fig. 2.20: Leading ESG Criteria for Private Equity and Venture Capital Funds 2016

	No. of Funds	Assets (in Billions)
Environmental—General	41	$106.3
Social—General	40	$106.2
Governance—General	40	$106.2
Clean Technology	112	$80.2
Tobacco	10	$78.9
Alcohol	9	$78.8
Gambling	9	$78.8
Military/Weapons	8	$78.7
Pornography	8	$78.7
Animal Testing/Welfare	7	$78.7
Climate Change/Carbon	56	$74.2
Total Across All Criteria	**275**	**$124.9**

SOURCE: US SIF Foundation.

RESPONSIBLE PROPERTY FUNDS are the second largest alternative investment vehicle tracked in this report, both in number of funds and in total assets under management. This category includes direct investments in "hard assets," such as residential property, commercial development, farms or timberland, as well as more indirect property-related investments such as mortgage-backed securities (MBS), structured financial products derived from MBS and equity portfolios managed through real estate investment trusts (REITs).

In 2016, the US SIF Foundation survey identified 102 property funds managing nearly $70 billion in assets that incorporate ESG criteria, of which 80 were invested in green building and smart growth. Factors involving **climate change**, **pollution and toxics**, and **sustainable natural resources** are also frequently incorporated into this asset class, as shown in Figure 2.21.

Fig. 2.21: Leading ESG Criteria for Property Funds 2016

	No. of Funds	Assets (in Billions)
Green Building/Smart Growth	80	$60.1
Climate Change/Carbon	60	$46.8
Pollution/Toxics	63	$38.9
Community Relations/Philanthropy	9	$21.8
Social—Other	5	$21.5
Sustainable Natural Resources/Agriculture	65	$18.2
Clean Technology	54	$14.0
Community—Other	52	$14.0
Board Issues	52	$14.0
Executive Pay	52	$14.0
Political Contributions	4	$12.5
Transparency and Anti-Corruption	4	$11.5
Total Across All Criteria	**102**	**$69.6**

SOURCE: US SIF Foundation.

HEDGE FUNDS are lightly regulated private investment vehicles that pool capital to invest, often in publicly listed securities and derivatives instruments. Hedge funds are only available to accredited institutional investors and high-net-worth individuals, which means that they are treated as alternative investments even when the underlying securities in which they invest draw from conventional asset classes, such as public equities or fixed income.

Sustainable hedge funds remain the smallest of the alternative investment vehicles within the ESG investment universe, although their associated assets have increased. In 2016, there were 36 funds managing $11.7 billion in assets, compared with $3.4 billion in assets in 2014. As shown in Figure 2.22, more than 20 funds focus on specific environmental themes, incorporating **climate change**, **green building** and **pollution/toxics** as criteria for investment. Fossil fuel divestment was applied to three hedge funds, with $15 million in assets.

Fig. 2.22: Leading ESG Criteria for Hedge Funds 2016

	No. of Funds	Assets (in Billions)
Board Issues	13	$10.0
Executive Pay	12	$9.9
Climate Change/Carbon	25	$9.2
Green Building/Smart Growth	22	$8.9
Pollution/Toxics	21	$8.8
Sustainable Natural Resources/Agriculture	10	$8.0
Clean Technology	12	$7.8
Political Contributions	7	$7.6
Social—Other	17	$3.4
Environmental—Other	5	$2.3
Transparency and Anti-Corruption	6	$2.3
Governance—General	4	$2.3
Total Across All Criteria	**36**	**$11.7**

SOURCE: US SIF Foundation.

Other Pooled Products

OTHER POOLED PRODUCTS include investment pools that have been aggregated for the purposes of investing and do not fit into any other vehicle category used in this report. This miscellaneous category includes funds such as privately managed nonprofit trusts, commingled funds, collective investment trusts and other pooled investment vehicles, generally managed for specific types of institutional investors, such as religious organizations, Taft-Hartley pension plans or other labor union funds. Managers reported 70 "other pooled products" with more than $651 billion in assets incorporating environmental, social or governance factors at the outset of 2016.

Fig. 2.23: Leading ESG Criteria for Other Pooled Products 2016

	No. of Funds	Assets (in Billions)
Products—General	4	$612.50
Environmental—General	3	$611.77
Social—General	2	$611.12
Governance—General	2	$611.12
Board Issues	23	$19.45
Executive Pay	23	$19.45
Political Contributions	19	$19.23
Military/Weapons	31	$17.69
Climate Change/Carbon	30	$15.55
Tobacco	19	$12.09
Clean Technology	27	$11.13
Transparency and Anti-Corruption	25	$10.30
Sustainable Natural Resources/Agriculture	23	$9.63
Total Across All Criteria	**70**	**$651.50**

SOURCE: US SIF Foundation.

ESG Incorporation across Other Money Manager Strategies

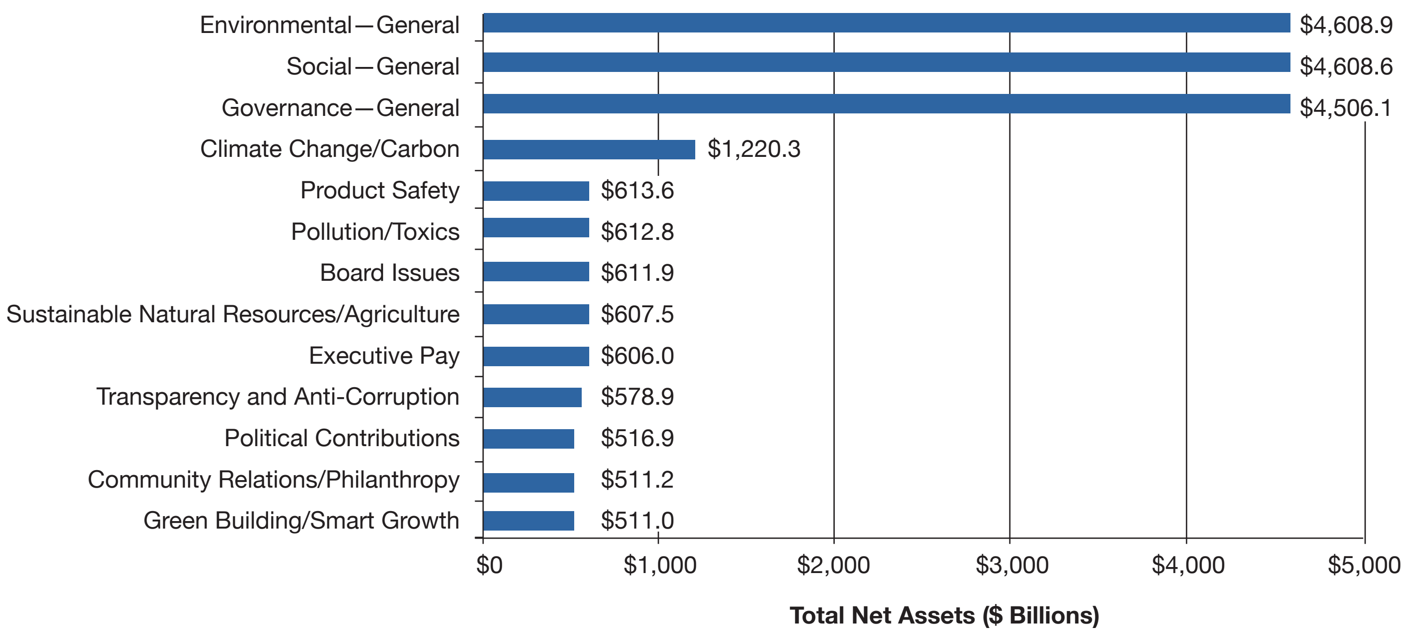
This year $5.38 trillion of the ESG incorporation assets reported by 114 money managers could not be attributed to a particular investment vehicle type. These 114 managers fell into three, sometimes overlapping groups.

- One group was money managers responding to the US SIF Foundation survey who chose the "other/ not listed" miscellaneous category for certain of their ESG assets rather than one of the other eight categories listed on p. 34 in this chapter. These managers generally reported the specific ESG criteria associated with these assets.
- In a second group were several money managers who applied ESG incorporation across all of their assets, but did not want to provide counts of the funds to which these assets applied.
- In the third group were money managers who did not respond to the US SIF Foundation survey or did not respond completely, but did file PRI Transparency Reports. These reports ask respondents to provide total assets and descriptions of their ESG investment policies, but do not require these assets to be disaggregated by vehicle type. Large money managers that are PRI signatories—such as Franklin Templeton and Western Asset Management—hold billions of dollars in assets but the associated funds are unclear from their reports.

Western Asset Management, for example, is a new PRI signatory that completed a Transparency Report in 2016. The report shows that 100 percent of its assets are in fixed income, but the specific vehicles and associated assets are not specified.[10] Additionally, while Western Asset Management provides descriptions of its ESG integration process in both its Transparency Report and on its website, it provides limited information about specific ESG criteria, and does not detail to what extent these criteria are applied across all assets.[11] As a result, all of the firm's assets are classified as "not listed" and as subject to unspecified environmental, social and governance criteria.

Separate account strategies were also included in this category, because the actual counts could not be determined by the survey. Although some respondents provided detailed information about individual strategies, others combined multiple strategies into one entry, which resulted in unequal comparisons across this category.

Fig. 2.24: Leading ESG Criteria, by Assets, for Other/Not Listed Vehicles 2016



SOURCE: US SIF Foundation.

In terms of ESG criteria, the largest portion of assets within this category is within unspecific environmental, social and governance criteria, as shown in Figure 2.24. The US SIF Foundation suggests several reasons that money managers may not provide additional details about their investment process in its Unlocking ESG Integration report. For some money managers, ESG integration may be a new and evolving process; others may view their strategies as "trade secrets." Finally, ESG integration may be too complex to effectively and succinctly describe, as compared to other SRI strategies such as negative screening and thematic investing.[12]

In terms of specific criteria, climate change is incorporated in the largest pool of assets under management: $1.22 trillion. As noted earlier, this may relate to renewed international efforts to fight climate change, following the momentum of COP21. Other factors, including product safety, pollution and toxics, board issues and sustainable natural resources were applied to assets between $607 billion and $614 billion under management. As ESG integration continues to evolve and grow, more money managers may start to disclose additional criteria such as these.

Community Investing

Community investing is a vital form of sustainable and impact investing that the US SIF Foundation has tracked for two decades. In the United States, community investing directs capital, via community development financial institutions (CDFIs) and other investment intermediaries, to communities and individuals underserved by conventional financial services.

Community Investing Institutions

These community investing institutions may provide access to credit, capital, equity and basic banking products for individuals and businesses. These services help provide capital for small minority-owned businesses, affordable housing units, charter schools and grocery stores. Outside of the United States, capital is often provided through microfinance lending to entrepreneurs and small businesses.

CDFIs are found across the country, from cities to rural areas to Indian reservations. Regardless of location, these institutions provide important services such as financial education, mentoring and technical support. They also provide responsible lending products and related programs to help

THE GROWING ACCESSIBILITY OF COMMUNITY INVESTING

Community investing has seen dramatic growth in the past 20 years. Because of changes to the Community Reinvestment Act in 1995 that encouraged depository institutions to meet the needs of the communities they serve, mainstream banks now constitute the largest portion of capital flowing to the specialized funds and financial institutions that have a mission of serving lower income communities. However, according to new research by the Opportunity Finance Network, growth in bank investment may slow in the coming years, prompting a search for new sources of capital.[13] Although interest in impact investing among individuals, family offices, foundations and other investors has been growing, the infrastructure to move capital from traditional sources to communities has been lacking.

A report by the Global Impacting Investing Network (GIIN) details barriers limiting this flow of capital. While investors have shown interest in community investing, they tend to prefer liquid, risk-adjusted products.[14] Community investing institutions (CIIs) need patient, flexible capital, resulting in a mismatch between available products and investor demands. Although practitioners are addressing this constraint in different ways, there is great potential for a secondary market that has not been tapped yet. Another challenge is the lack of standard measurement for financial performance. While many CDFI loan funds currently use the Aeris rating system, mainstream investors may prefer traditional ratings like S&P, which has recently rated three large loan funds. Finally, reaching potentially interested individual investors has proven difficult.[15]

In an attempt to target mainstream investors, CIIs are starting to make their products available through more accessible channels. Calvert's Community Investment Notes have been available on brokerage platforms for many years, but institutions like Self-Help, a registered community development financial institution, are now offering federally insured fixed income certificates of deposit that will simplify access for investment managers.[16] Another organization, ImpactUS, intends to provide a marketplace for large investors to find impact investments including from a range of CIIs.[17] If these initiatives are successful, community investments may become more accessible to mainstream investors looking to support low-income communities in the United States.

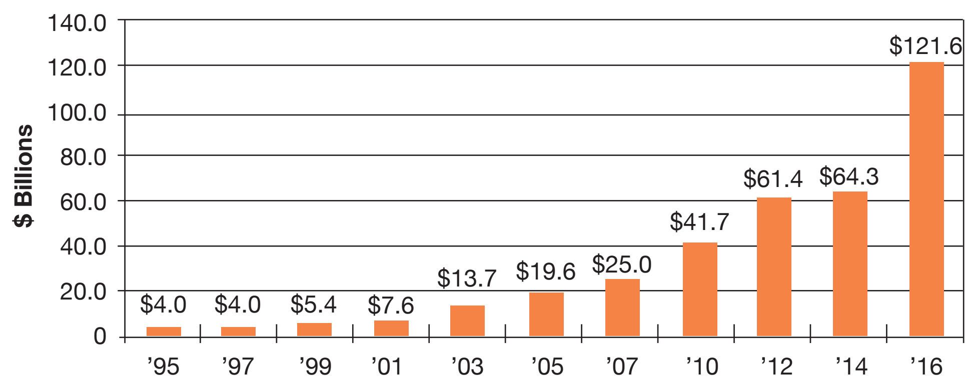
New collaborations are also making community investment easier for retail investors. Vested.org, a website powered by the Calvert Foundation, allows individuals to target regional projects and invest as little as $20.[18]

The availability of placed-based investments is also appealing. Benefit Chicago, a new project launched by the MacArthur Foundation in collaboration with Calvert Foundation and Chicago Community Trust, aims to target $100 million in investments toward nonprofits and social ventures in the Chicago area.[19] For individuals interested in seeing their investments at work, these new initiatives may make community investment more tangible.

consumers avoid the predatory lenders that are often found in low-income areas.

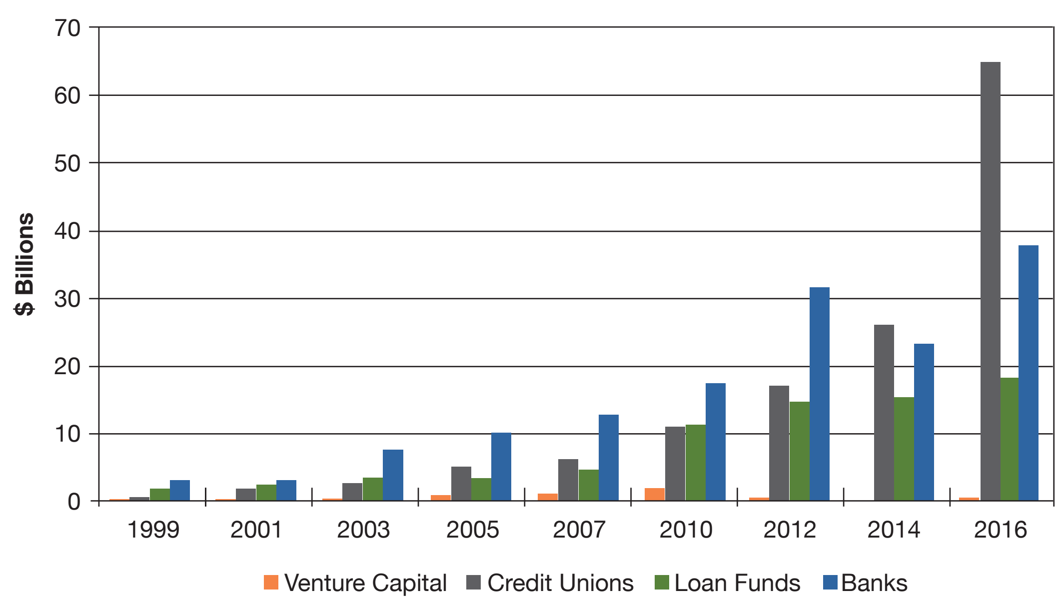
After a period of minimal growth from 2012 to 2014, the community investing sector has reclaimed its position as one of the SRI field's fastest growing segments, with assets nearly doubling over the last two years, from $64.3 billion to $121.6 billion, as shown in Figures 2.25 and 2.26. This rapid growth in the field stems from multiple sources. More than 100 community banks and credit unions have become newly certified, or re-certified, as CDFIs. Community development credit unions in particular have experienced increased membership and the largest growth in assets within the sector. New online platforms, such as Mission Markets, Calvert Foundation's vested.org, and Partners for the Common Good's CapNexus have helped lower barriers of entry for investors seeking opportunities to support CDFIs and other community-related investments.[20]

Fig. 2.25: Community Investing Growth 1995–2016



SOURCE: Calvert Foundation, CDFI Fund, CDVCA, National Community Investment Fund, National Federation of Community Development Credit Unions, Opportunity Finance Network and US SIF Foundation.

Fig. 2.26: Community Investing Growth by Sector 1999–2016



SOURCE: Calvert Foundation, CDFI Fund, National Community Investment Fund, National Federation of Community Development Credit Unions

NOTE: Before 2012, community development venture capital growth was measured using data from the Community Development Venture Capital Association in commitments of capital rather than as portfolio assets under management. From 2012, portfolio assets of CDVC funds are measured.

COMMUNITY DEVELOPMENT BANKS are regulated banking institutions that operate much like their conventional counterparts, but focus their lending and banking services in lower-income communities. They typically offer services available at conventional banks to both individual and business customers, including federally insured savings, checking, money market and individual retirement accounts and certificates of deposit.

According to the National Community Investment Fund (NCIF), 119 CDFI-certified community development banks held $37.9 billion in assets at the beginning of 2016, as shown in Figure 2.27. This 63 percent increase in assets over the two-year period is due in part to a wave of CDFI certifications that took place in early 2014. Since that time, an additional 20 banks have been certified as CDFIs, bringing assets to a new historic high, after a 20 percent decline from 2012 to 2014.

Fig. 2.27: Community Investment Institution Assets 2016

	Counts	Assets (In Billions)
Community Development Banks	119	$37.9
Community Development Credit Union	339	$65.1
Community Development Loan Funds	571	$18.3
Community Development Venture Capital	14	$0.2
Total	**1,043**	**$121.6**

SOURCE: CDFI Fund, National Federation of Community Development Credit Unions
NOTE: Only the assets of venture capital funds that are certified CDFIs are included in this table. Loan funds include US-based international microfinance vehicles. Credit unions include all members of the National Federation of CDCUs as well as credit unions certified as CDFIs.

COMMUNITY DEVELOPMENT CREDIT UNIONS (CDCUs) are regulated depository institutions that are member-owned and cooperatively controlled. CDCUs offer federally insured accounts and other financial services offered by conventional credit unions, but are mission-driven to responsibly serve low-income and other underserved communities.

Within the CDFI space, the largest growth in assets has been found within credit unions. According to the National Federation of Community Development Credit Unions (NFCDCU), there were 339 community development credit unions with $65.1 billion in combined assets as of the start of 2016, a 30 percent increase in the number of institutions and a nearly 150 percent jump in assets from 2014. Growth in CDCUs mirrors broader national trends, where credit union membership has grown faster than the customer base at traditional banks and other financial institutions. It should also be noted that a change in CDFI certification in 2013 caused many institutions to lose their certifications temporarily; however, starting in early 2014, many of these credit unions were re-certified.

COMMUNITY DEVELOPMENT LOAN FUNDS (CDLFs) pool investments from individuals and institutions to further community development, often in specific geographic regions. Unlike depository institutions like banks and credit unions, CDLFs do not have federally insured deposits, but they take many other steps to safeguard investor money, including using collateralized loans, setting aside loan loss reserves, and pledging the institution's or fund's net worth to protect against investor losses. International loan funds, which represent a subset of CDLFs for the purposes of this report, focus their lending and equity investments overseas, typically providing or guaranteeing small or microfinance loans to entrepreneurs and small businesses.

At the start of 2016, $18.34 billion was invested in 571 community development loan funds based in the United States. According to data provided by Calvert Foundation, $4.16 billion was invested in loan funds managed by US-based international microfinance organizations, while $14.18 billion was in domestic loan funds.

COMMUNITY DEVELOPMENT VENTURE CAPITAL (CDVC) is a form of private equity investment targeted at financially underserved low- and moderate-income communities that seeks to generate good jobs, wealth and entrepreneurial capacity. As a form of private equity, community development venture capital funds are also analyzed as part of the alternative investment vehicles discussed previously.[21] Within this section, 14 CDVC funds with $210 million in assets under management were certified as CDFIs at the beginning of 2016.

Other Forms of Community-Related Investment

In addition to the four types of community investing institutions previously described, community-related investing criteria and themes are considered across numerous investment vehicles and asset classes. As Figure 2.28 shows, investment vehicles with over $745.2 billion in total assets say they incorporate some form of community-related criteria. Most of these assets were in unspecified vehicles, with $555 billion; the majority of these assets incorporated community relations and philanthropy in their investment criteria. This was followed by $120.1 billion in assets within alternatives, such as venture capital and private equity funds, and then $62.6 billion in assets within mutual funds.

Fig. 2.28: Other Community-Related Investment by Money Managers 2016

Community-related Criteria	Mutual Funds #	Mutual Funds Assets (in Billions)	Alternatives #	Alternatives Assets (in Billions)	Other Pooled Products #	Other Pooled Products Assets (in Billions)	Other/ Not Listed Assets (in Billions)	Total Assets (in Billions)
Affordable Housing	48	$36.5	16	$68.1	6	$0.1	$99.8	$204.6
Community Relations/ Philanthropy	67	$36.1	29	$89.5	11	$0.7	$511.2	$637.5
Community Services	34	$30.0	32	$1.9	4	$0.1	$101.9	$134.0
Fair Consumer Lending	59	$18.7	6	$66.4	5	$0.1	$95.8	$181.0
Microenterprise	37	$27.6	22	$2.9	5	$0.3	$98.2	$129.0
Place-Based Investing	11	$17.5	21	$1.2	1	$0.0	$2.9	$21.7
Small & Medium Businesses	47	$19.5	52	$4.2	4	$0.3	$92.7	$116.6
Community—Other	15	$19.9	10	$11.8	3	$6.1	$33.7	$71.5
Total Across Community Criteria	**98**	**$62.6**	**101**	**$120.1**	**17**	**$7.0**	**$555.4**	**$745.2**

SOURCE: US SIF Foundation.
NOTE: Mutual funds include those underlying variable annuities. Alternatives include private equity and venture capital, hedge funds and property funds. ETFs are excluded because of low numbers.

III. ESG Incorporation by Institutional Investors

Institutional asset owners across the United States now consider environmental, social or corporate governance (ESG) criteria in investment analysis and portfolio selection across assets that totaled $4.72 trillion at the start of 2016, a 17 percent increase over the corresponding total the US SIF Foundation identified in 2014. The 477 institutions that practice ESG incorporation range in size from large public employee retirement systems with hundreds of billions of dollars in assets to small private foundations with fewer than $25 million.

Continuing the trend first observed in 2010, policies related to conflict risk countries, primarily Sudan and Iran, affect the largest pool of institutional investor assets.

However, concern about climate change and carbon emissions now ranks as the second most important ESG issue for institutional investors in asset-weighted terms.

In addition, institutional investors now collectively consider the following issues across more than $1 trillion in assets: board issues, executive pay, human rights, labor, sustainable natural resources/agriculture, pollution/toxics and tobacco. Much of the growth in the ESG assets affected by these concerns stems from investment guidelines identified at insurance companies and other corporations.

General environmental, social and governance issues, for which institutional investors did not provide specific criteria, each affect about $1.3 trillion.

Key Trends

- **Climate change and carbon emissions** is the leading specific environmental issue for institutional asset owners, who take this issue into account in portfolios totaling $2.15 trillion. The institutional assets affected by climate considerations have almost quadrupled since 2014, and this is now the top ESG criterion after conflict risk.
- Other leading environmental issues considered by investors include **sustainable natural resources and agriculture** (almost tripling since 2014 to $1.08 trillion), **pollution and toxics** (more than doubling to $1.03 trillion), **green buildings and smart growth** (also more than doubling to $760 billion) and **clean technology** (up 34 percent to $673 billion).
- **Board-related issues** and **executive pay** each affect approximately $1.20 trillion in assets compared with just $416 billion and $699 billion in 2014, respectively, and are the top specific governance issues in asset-weighted terms. Assets incorporating the consideration of political contributions grew from $220 billion to almost $1 trillion.
- Prominent social issues for institutional investors are **human rights**, affecting $1.16 trillion in assets, a fivefold increase since 2014, and **labor**, where affected assets have doubled to $1.09 trillion.
- Investment policies on **military and weapons** issues affect $845 billion in institutional investor assets, up 138 percent from $355 billion in 2014, and 1,042 percent from 2012.
- In asset-weighted terms, the restriction of investments in companies doing business with **conflict risk** countries, primarily Sudan and Iran, remains the top ESG factor institutions incorporate into their investments.
- **Tobacco**, a sustainable investment issue for many years, affects $1.16 trillion in institutional investor capital.

Background

This chapter focuses on institutional investors' incorporation of ESG criteria into their investment analysis and decision making, which applies to $4.72 trillion, as highlighted in Figure 3.0. The chapter is divided into two main sections. The first examines the leading themes, strategies and motivations institutional investors report for incorporating ESG criteria into asset management. The second section provides more detailed analysis of how ESG incorporation is practiced by specific types of institutional asset owners in descending order of their collective ESG assets: public funds, corporations, educational institutions, philanthropic foundations, labor funds, faith-based institutions, hospitals, nonprofits and family offices. (See Figure. 3.1.)

Fig. 3.0: Sustainable and Responsible Investing Assets 2016

ESG Incorporation		(in Billions)
Money Managers	$8,097.9	
Institutional Investors	$4,724.5	
Overlapping Assets	$(4,724.5)	
Subtotal		**$8,097.9**
Filing Shareholder Resolutions		
Money Managers	$1,038.6	
Institutional Investors	$1,519.6	
Subtotal		**$ 2,558.2**
Overlapping Strategies		$(1,932.9)
Total		**$8,723.2**

SOURCE: US SIF Foundation.
NOTE: ESG Incorporation includes community investing institutions (CIIs). US SIF Foundation identified over $5.1 trillion in the institutional portion of Money Managers' ESG assets under management, so the Institutional Investors' ESG assets identified separately are removed to control for the potential inflationary effects of double counting. For more details, see Chapter V: Methodology.

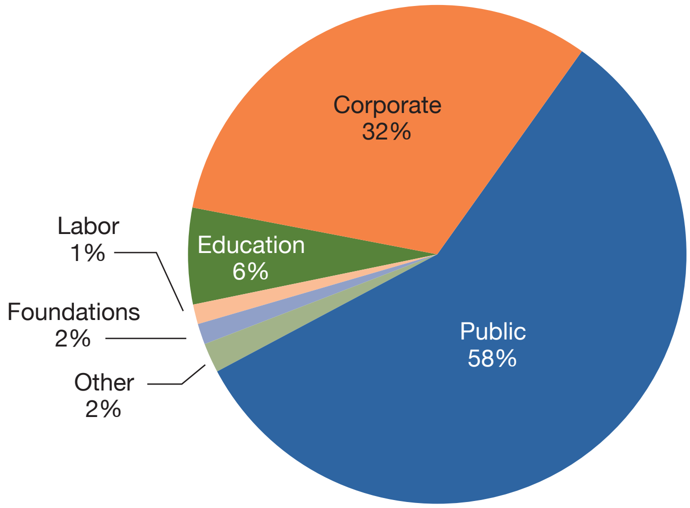
Through the US SIF Foundation survey process, institutions could select up to 32 criteria considered by each plan, broken into environmental, social (including community), governance and product-related categories. They also had the option to specify any other ESG criteria they considered.

How investors incorporate each of these criteria varies. For example, "tobacco," "military/weapons" and "fossil fuel" signify industries or sectors that investors may seek to avoid. Criteria such as "clean technology" and "place-based investing" may be selected by investors actively pursuing investment in these fields. Other criteria such as "labor," "EEO/diversity," and "sustainable natural resources" may represent metrics upon which investors evaluate companies. Appendix 1, the Glossary of Environmental, Social and Governance Criteria, provides a more thorough explanation of each of the ESG issues discussed in this report.

As noted in Figure 3.0, some institutional investors also engage in filing shareholder resolutions. The combined assets of institutional investors that engage in either ESG incorporation or in filing shareholder resolutions on ESG issues amount to $5.02 trillion, or 58 percent of the total SRI assets of $8.72 trillion measured in this report. (See Chapter IV for more information on the institutional investors that have filed or co-filed shareholder resolutions on ESG issues since 2014.)

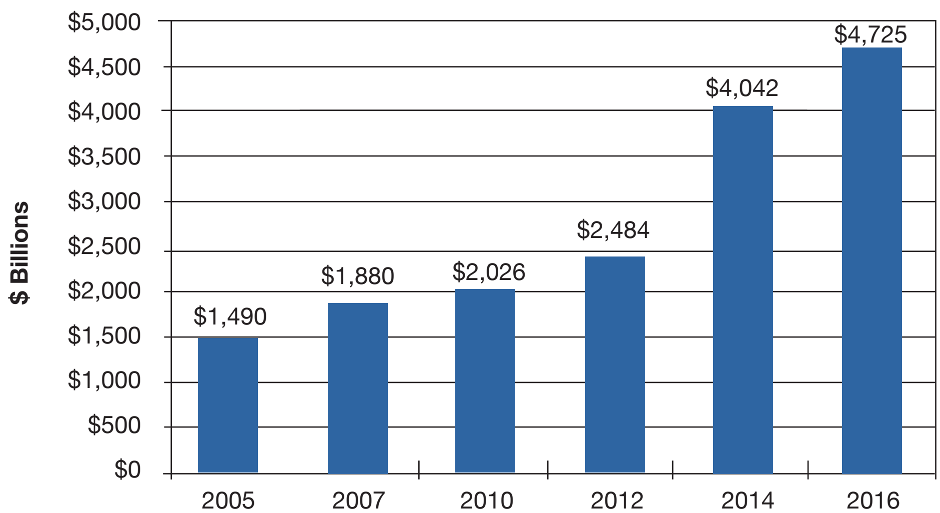
The institutional assets to which ESG criteria are applied have expanded substantially in recent years, almost doubling since 2012 (Figure 3.2).

Fig. 3.1: Distribution of Institutional Investor ESG Assets 2016



SOURCE: US SIF Foundation.
NOTE: Other consists of family offices, healthcare institutions, faith-based institutions, and nonprofits that collectively represent about 2 percent of ESG assets in 2016.

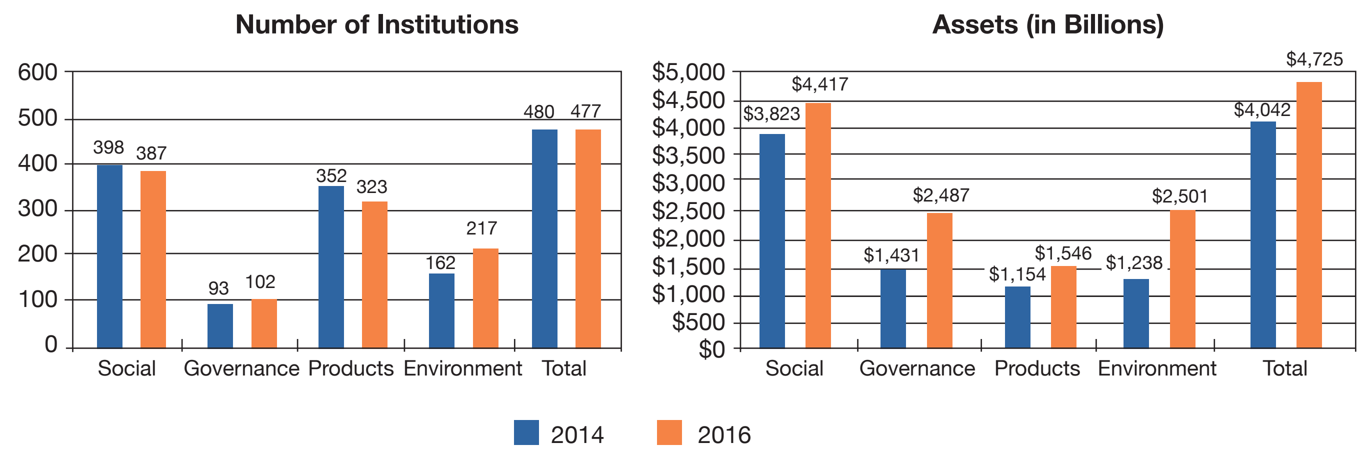
Fig. 3.2: Institutional ESG Assets 2005–2016



SOURCE: US SIF Foundation.

As shown in Figure 3.3, the 477 institutional investors reflected in this chapter collectively apply various social criteria to $4.4 trillion. Governance and environmental considerations affect a smaller sum of institutional investor assets at around $2.5 trillion each. Policies related to products, such as restrictions on tobacco or weapons investments, affect more than $1.5 trillion. Of these four broad categories, the institutional assets subject to environmental or governance criteria have grown the most since 2014 in absolute and relative terms.

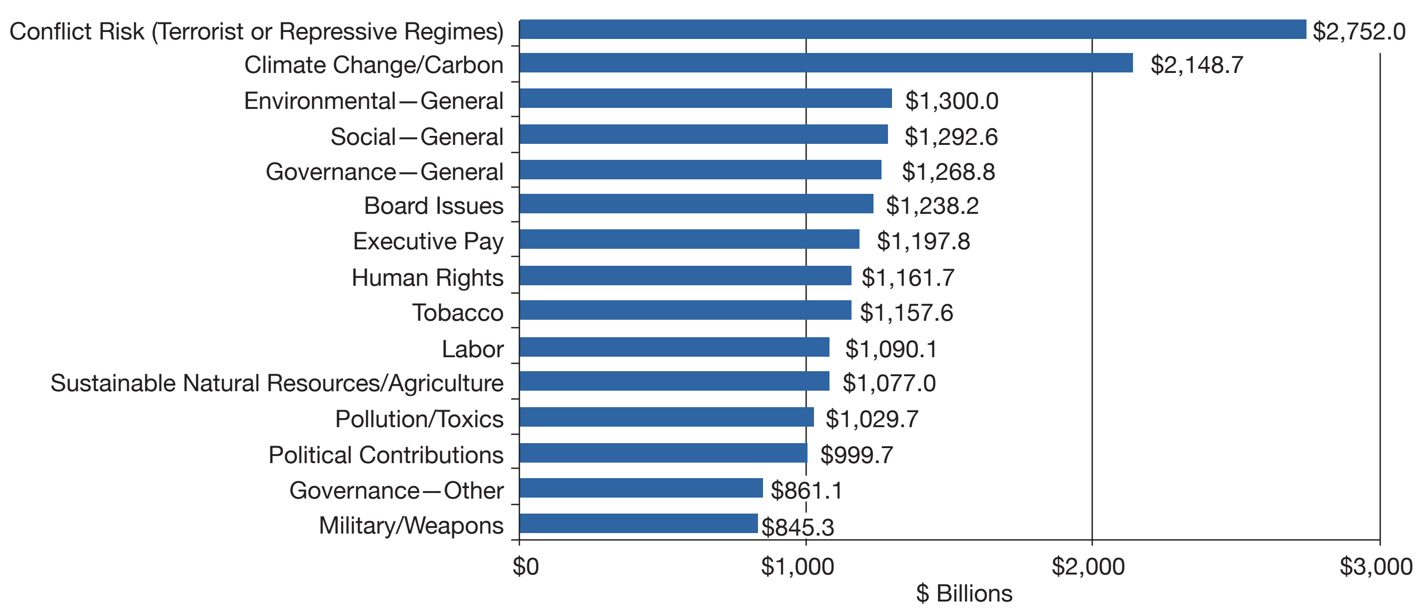
Fig. 3.3: ESG Categories Incorporated by Institutional Investors 2014–2016



SOURCE: US SIF Foundation.

Figure 3.4 shows the leading environmental, social and governance issues for institutional investors as a whole, in asset-weighted terms. However, continuing a trend first observed in 2014, several institutional investors in 2016 also reported that they incorporate environmental, social or governance issues generally, but without specifying which particular ESG issues they consider. These institutions' assets are reflected in the bars for "general" environmental, social or governance issues in Figure 3.4.

Fig. 3.4: Leading ESG Criteria for Institutional Investors 2016



SOURCE: US SIF Foundation.
NOTE: Some institutional investors reporting that they have adopted strategies of ESG incorporation, but without specifying which specific ESG issues they consider, account for the assets in the "General" environmental, social and governance categories.

A Closer Look at Trends, Strategies and Motivations

Environmental Issues

Environmental issues have gained increased attention among institutional investors. In 2016, the US SIF Foundation identified $2.50 trillion in assets associated with environmental criteria, more than double the $1.24 trillion identified in 2014. Investment portfolios with one or more environment-related criteria are now managed by 217 institutional investors, compared with 162 identified in 2014.

As in 2014 and 2012, criteria related to **climate change and carbon emissions** remain the most important specific environmental issue in asset-weighted terms; the affected assets grew 290 percent from $551 billion to $2.15 trillion over the past two years. Insurance companies and other corporations comprise the majority of assets subject to such criteria—$1.38 trillion, followed by public fund assets with $708 billion and educational institutions with $43 billion. The 21st Conference of the Parties (COP21) of the United Nations Framework Convention on Climate Change, commonly referred to as the 2015 Paris Climate Conference, rallied investors on this issue. Prior to the conference, more than 400 investors around the world with more than $24 trillion in assets signed the Global Investor Statement on Climate Change, committing to climate-friendly investments and actions and calling for an ambitious agreement at COP21.[1]

Criteria related to **sustainable natural resources and agriculture** are the second most common environmental issue, affecting $1.08 trillion, a near tripling since 2014. Assets subject to policies on **pollution and toxics** criteria increased to $1.03 trillion from $508 billion. Other leading environmental criteria include **green buildings and smart growth** ($760 billion) and **clean technology** ($673 billion).

For the second time, the US SIF Foundation tracked institutional investors that divested in some way from **fossil fuels**, such as divesting from the largest oil, gas and coal corporations in terms of proven carbon reserves or from companies developing coal or tar sands projects. At the outset of 2016, institutional investors had adopted fossil fuel restriction or divestment policies that apply to $144 billion in assets, more than 10 times the $14 billion identified in 2014. Public funds account for $110 billion of this total, followed by educational institutions with $27 billion and foundations with $2.5 billion. A range of campaigns led by 350.org, Divest-Invest Philanthropy, university student groups, state lawmakers and city level grassroots organizations have moved scores of institutional investors to address this issue.

Social Concerns

Concerns over social issues affect the largest share of ESG assets—$4.42 trillion at the beginning of 2016 (see Figure 3.3), a 16 percent increase in such assets since 2014.

As shown in Figure 3.4, investment policies related to **conflict risk** (terrorist or repressive regimes) affect $2.75 trillion, making it the single most prominent ESG criterion in asset-weighted terms, as it has been since 2010. In 2016, the US SIF Foundation identified 230 institutions that applied this criterion, primarily toward Sudan and Iran. Of these, 226 institutions, with $2.66 trillion in assets, restricted investments in companies doing business in Sudan, while 154 institutions, with $2.20 trillion in assets, restricted investments in Iran. In 2014, the corresponding assets affected by Sudan and Iran policies were $2.70 trillion and $2.30 trillion, respectively. Most of the assets affected by conflict risk restrictions are held by public funds complying with legislation on this issue.

Sudan has been the site of conflict for many years. In 2011, South Sudan split from the northern region ruled from Khartoum to become an independent country. The Sudanese government continues attacks upon and discriminates against its people in Blue Nile and South Kordofan, two states in Sudan that border South Sudan.[2] The conflict in Darfur, in the western region of the country, also continues. Fighting has persisted between the Sudanese government and rebels, and the government has hindered humanitarian assistance for people in the area.[3] As a result of the conflicts in Sudan, more than three million people were internally displaced and more than half a million lived in refugee camps as of 2015.[4] Two initiatives, Investors Against Genocide and the EIRIS Conflict Risk Network, provide investors with information and resources to avoid companies in targeted sectors in Sudan.

Iran, on the other hand, has many institutional investors concerned because of its nuclear program activities. As a result, a number of US states have policies prohibiting investments in companies that do business with Iran. In 2015, President Obama's administration reached a nuclear deal with Iran, the permanent members of the United Nations Security Council, Germany and the European Union. The federal government dismantled economic sanctions against Iran in early 2016 in return for the restriction and monitoring of Iran's nuclear program, but most state level economic sanctions were still in place in 2015 and through mid-2016.[5] Assets affected by Iran divestment policies consequently remained high at year-end 2015.

General social issues affect the largest pool of assets after conflict risk. The institutions reflected here do not disclose specific social criteria, but say that they incorporate social issues in their investment process. In 2016, the US SIF Foundation identified $1.29 trillion in assets in this category, compared with $670 billion in 2014.

Investment criteria related to **human rights** concerns—beyond the repressive regimes discussed above—affect $1.16 trillion in institutional owner assets in 2016, a more than fivefold increase from the $217 billion identified in 2014. Another prominent social issue is **labor**, which affects $1.09 trillion in assets, a doubling since 2014. Institutional investors apply a wide range of approaches to the incorporation of labor issues, including consideration of companies' workplace health and safety protections, employee retention programs and union relations. Policies on **equal employment opportunity and diversity** are reflected in $707 billion of institutional assets.

Gender lens investing, tracked for the first time in 2016, affects $397 billion. In the last several years, investment firms have created products across asset classes that focus on companies that help women advance in the workplace and in society and on organizations that assist women and their families living in poverty or in under-served communities. This approach appeals to foundations, family offices, pension funds and other asset owners that seek to use their portfolios to address gender inequality and to benefit from investments in high-diversity companies.

Another social criterion formally tracked for the first time in 2016 is **prison-related issues**, which affect $43 billion in institutional assets. A number of investment institutions along with various advocacy groups have expressed concern about private prison companies because of their profit incentive to incarcerate people, particularly those from communities of color and immigrant communities, and keep them in prison.[6] Studies have also shown patterns of human rights abuse in private prisons.[7] In 2016, the Justice Department announced that it would phase out the federal government's use of private prisons after its inspector general found that private prisons did not save costs or provide the same level of safety and security as public prisons.[8] Private state prisons, however, are not affected by the phase out. The majority of investors with investment policies on this issue are faith-based investors. Some student campaigns have also convinced their universities to divest from private prison companies. For example, Columbia University in New York was the first university to divest in 2015 as a result of student action.

Corporate Governance

Institutional asset owners applied governance criteria to $2.49 trillion of investments at the beginning of 2016, compared with $1.43 trillion at the start of 2014.

Almost 50 institutions indicated that they incorporate general governance criteria across $1.27 trillion in assets, without specifying any particular corporate governance concerns.

For those institutional investors that did identify specific governance criteria that inform their investment policies and practices, **board issues** top the list in asset-weighted terms, affecting $1.24 trillion in assets, three times the $416 billion in assets identified in 2014. Such issues include directors' independence, diversity and responsiveness to shareholders.

Consideration of **executive pay**, which was the top specific governance issue in 2014, affects $1.20 trillion in assets compared with $699 billion two years before. Policies assessing companies' oversight and disclosure of **political contributions** and lobbying affect $1 trillion, an increase of 355 percent from the $220 billion identified in 2014. An issue tracked for the first time in 2016 is **transparency and anti-corruption**, involving the consideration of companies' policies to prevent bribery, racketeering and other corrupt practices. Thirty-two institutional investors applied this criterion across $528 billion in assets.

Corporations in 2016 applied specific governance criteria across significantly higher levels of assets than in prior years, more than $400 billion for each of the aforementioned criteria, contributing to the higher growth for all institutional investors.

Product-Related Criteria

The avoidance of investments in certain products that are seen as detrimental or controversial is one of the oldest strategies of sustainable and responsible investing. As of the beginning of 2016, product-related criteria affected $1.55 trillion in assets, up 34 percent from the assets identified at the start of 2014. In line with past years, **tobacco** remains the most prominent product issue in asset-weighted terms, affecting $1.16 trillion in institutional investor assets.

A major trend since 2012 is the dramatic growth in institutional assets to which **military and weapons** criteria are applied. In December 2012, the nation was shocked when a 20-year-old fatally shot 20 children and six adults with a semiautomatic rifle at Sandy Hook Elementary School in Newtown, Connecticut. Since then, other mass shootings have taken place at various locations in the United States, including public and military service centers, schools and entertainment venues.

Through these tragedies, a number of public funds and other institutional investors have reviewed their investment portfolios' weapons holdings and established policies to divest from gun manufacturers. These include the California Public Employees' Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS), the Chicago Public School Teachers' Pension and Retirement Fund and the New York City Employees' Retirement System, among others. The US SIF Foundation identified 85 institutional investors that apply this criterion.

At the start of 2016, policies restricting investments in military and weapons companies affected just over $845 billion in assets, a 138 percent increase from $355 billion two years earlier, and a 1,042 percent increase from 2012. Public funds accounted for $768 billion of these assets, followed by faith-based investors with $38 billion. This is also a prominent issue for a number of other institutional investors, including philanthropic foundations ($13 billion), educational institutions ($10 billion), hospitals and healthcare plans ($8 billion), nonprofit organizations ($8 billion) and family offices ($1 billion).

Other important product-specific criteria in asset-weighted terms are the avoidance of companies involved in **nuclear power** ($186 billion) and **pornography** ($182 billion), as well as the consideration of **product safety** generally ($132 billion) and **animal testing and welfare** ($102 billion).

Institutional Investor Strategies for ESG Incorporation

A subset of 75 institutions out of the 477 captured in this report voluntarily disclosed additional information about the ESG incorporation strategies they use. As shown in Figure 3.5, the majority of these institutional investors use either negative screening and/or impact investing for at least one of the strategies they employ.

Public funds, educational institutions, healthcare institutions and nonprofit organizations primarily use negative screening only, whereas philanthropic foundations, faith-based institutions and family offices use the full range of strategies.

Fig. 3.5: ESG Incorporation Strategies by Institutional Investors 2016			
	No. of Institutions	% of Institutions Reporting	Assets Affected (in Billions)
Negative/exclusionary: the exclusion from a fund or plan of certain sectors or companies based on specific ESG criteria	57	76%	$641
Impact investing: targeted investments aimed at solving social or environmental problems	56	75%	$190
ESG integration: the systematic and explicit inclusion by investment managers of ESG risks and opportunities into traditional financial analysis	42	56%	$583
Positive/best-in-class: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers	40	53%	$192
Sustainability themed investing: the selection of assets specifically related to sustainability in single- or multi-themed funds	37	49%	$26
Total Responding	**75**		**$773**

SOURCE: US SIF Foundation.
NOTE: Some institutions disclosed using multiple strategies within funds, so affected assets may overlap and percentages do not sum.

Institutional Investor Motivations for ESG Incorporation

A different subset of 94 institutions, representing about one-fifth of the institutional investors with ESG assets, responded to an additional series of questions about why they incorporate ESG criteria into their investments. These institutions accounted for $889 billion in ESG assets.

As Figure 3.6 highlights, the two top motivations, in asset-weighted terms, are managing risk and fulfilling fiduciary duty, affecting $854 billion and $850 billion in assets, respectively.

Regulatory or legislative requirements were cited by 17 institutions—primarily public funds—with $762 billion in ESG assets.

Fulfilling mission or values was cited by the largest number of respondents—81—including almost all the foundation, faith-based and family office respondents.

Seventy-nine respondents, comprised mostly of foundation and faith-based institutions and representing $602 billion in ESG assets, reported that they incorporate ESG criteria to produce social benefit. All the family offices and nonprofits and the majority of educational institutions that responded also selected this motivation.

Fig. 3.6: Reasons Institutional Investors Report Incorporating ESG Factors 2016			
	No. of Institutions	% of Institutions Responding	ESG Assets (in Billions)
Returns	45	48%	$748
Risk	53	56%	$854
Fiduciary Duty	44	47%	$850
Regulatory Compliance	17	18%	$762
Social Benefit	79	84%	$602
Mission	81	86%	$513
Client Demand	29	31%	$199
Total Responding	**94**		**$889**

SOURCE: US SIF Foundation.
NOTE: Institutions cited multiple rationales, so affected assets and number of institutional investors overlap.

ESG Incorporation by Type of Institution

As shown in Figure 3.7, the US SIF Foundation identified nine types of institutional asset owners that practice ESG incorporation: public funds, corporations, educational institutions, philanthropic foundations, labor funds, faith-based institutions, hospitals and healthcare plans, nonprofits and family offices.

Fig. 3.7: Types of Institutional Investors Incorporating ESG Criteria 2016

	No. of Institutions	Value of ESG Assets (in Billions)
Public	184	$2,710.3
Corporate	<10	$1,504.5
Education	82	$293.0
Foundation	128	$63.6
Labor	<10	$62.3
Faith-based	38	$44.0
Healthcare	10	$31.7
Nonprofit/Other	18	$12.7
Family Office	<10	$2.4
Total	**477**	**$4,724.5**

SOURCE: US SIF Foundation.

Public Funds

Public funds managed for federal, state, county and municipal governments, including public employee pension plans and other publicly pooled portfolios, incorporate ESG criteria across $2.71 trillion, the largest share of institutional assets.

The majority of states and numerous cities and counties offer sustainable and responsible investing options as part of retirement and educational savings plans. Most public SRI options are generally provided through defined benefit or defined contribution plans alongside some 529 college savings programs.

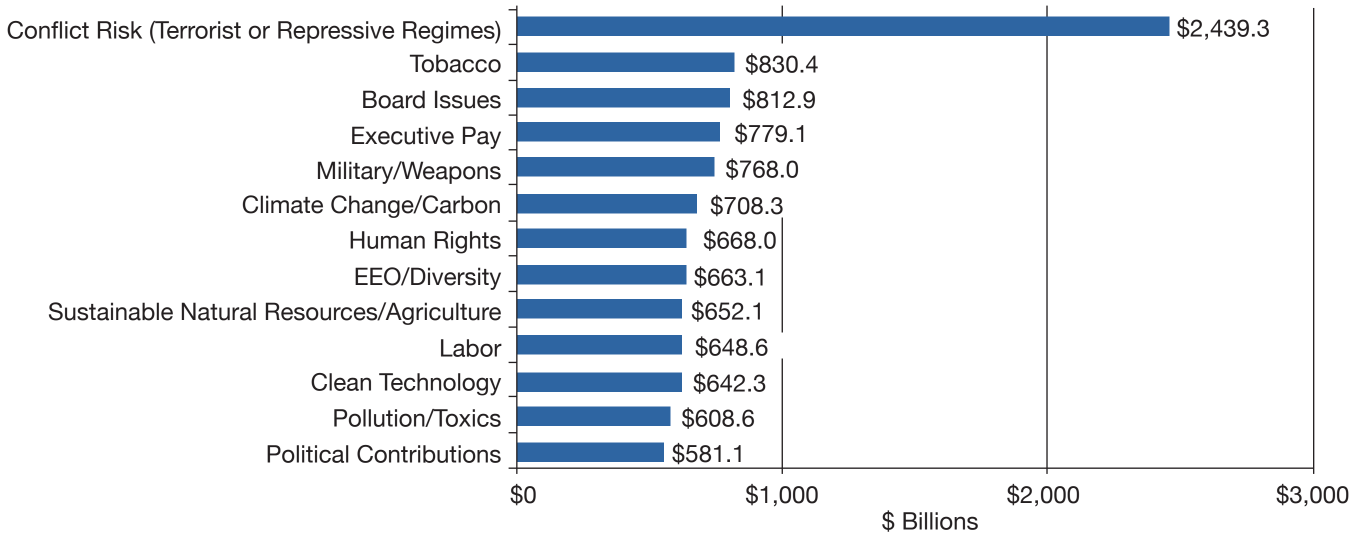
As shown in Figure 3.8, by far the most prominent ESG criteria considered by public funds, based on the assets affected, are policies restricting investment in companies doing business in **conflict risk** countries, primarily Sudan and Iran. Starting in 2005, over half of the US states and the District of Columbia have enacted requirements barring investments in certain companies that do business in Sudan.

The most prevalent product issue is **tobacco** avoidance, affecting $830 billion, almost twice the assets identified in 2014.

Board issues are the top governance criterion, affecting $813 billion. Board issues include the consideration of the directors' independence, diversity, pay and responsiveness to shareholders. Assets affected by investment policies on board issues more than doubled since 2014, moving it to one of the top five criteria among public funds. **Executive pay** affects $779 billion and registered in the top five criteria in both 2014 and 2016. Almost $600 billion in assets are subject to **political contributions** criteria, growing 211 percent over 2014.

Military and weapons criteria now affect $768 billion in public fund assets, up almost threefold from $266 billion two years ago.

Fig. 3.8: Leading ESG Criteria for Public Funds 2016



SOURCE: US SIF Foundation.

Climate change and carbon emissions are still the top environmental issue for public funds, affecting $708 billion. Public funds continue to incorporate a wide range of other environmental issues. **Sustainable natural resources and agriculture, pollution and toxics**, and **clean technology** each affect more than $600 billion, while $320 billion is subject to investment policies on **green building and smart growth. Fossil fuel divestmen**t policies now affect $110 billion in public fund assets. In addition, many state and city treasurers and comptrollers are active participants in the Investor Network on Climate Risk (INCR), a project of Ceres, which provides a platform for climate-related shareholder advocacy and public policy work discussed in the next chapter.

Human rights have become a more prominent issue in 2016, affecting $668 billion in assets, compared with $149 billion in 2014. Other important social issues identified are **equal employment opportunity and diversity** ($663 billion) and **labor** ($649 billion).

Investing with a **gender lens** affects $391 billion in assets.

Another important criterion is **place-based investing**, which affects public funds of approximately $342 billion. Such economically targeted investments by public funds to the city or state in which they operate date at least to the late 1980s.

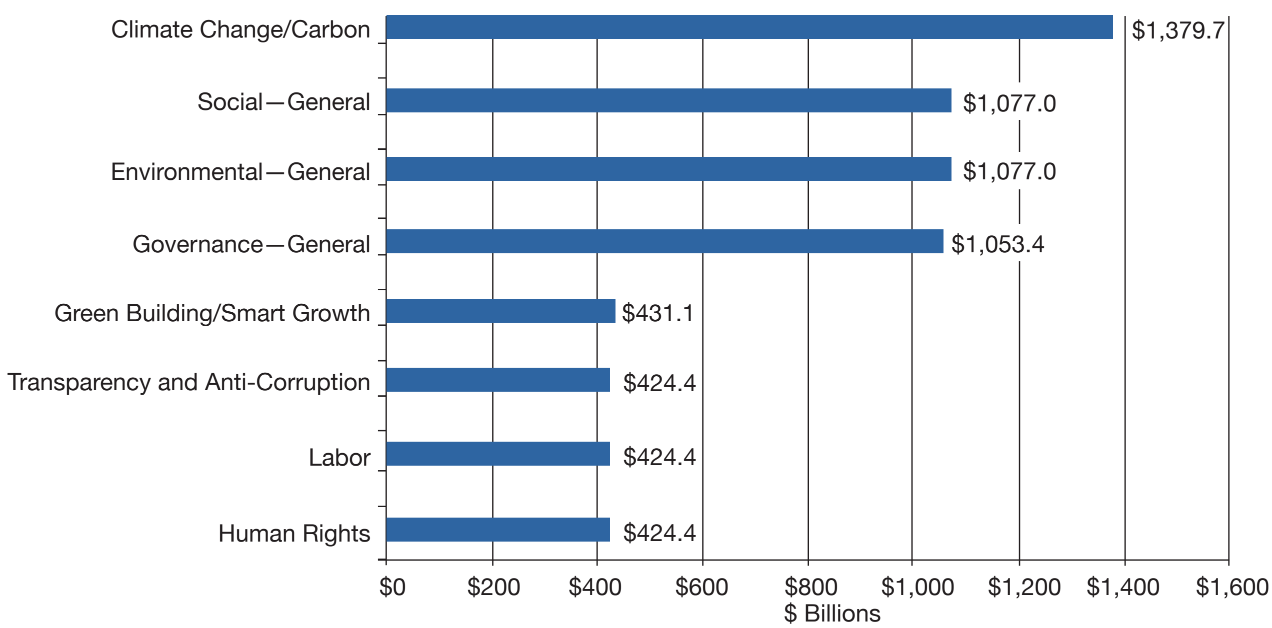
Corporations

With $1.50 trillion in assets affected by ESG issues, corporate retirement plans and investment portfolios—particularly those of insurance firms—provide the second largest pool of institutional capital that is subject to some form of responsible investment policy. This is almost double the $758 billion in corporate ESG assets identified in 2014, thanks to new information on ESG investing by insurance companies in the Insurer Climate Risk Disclosure Survey organized by the California Department of Insurance. While the ESG assets identified are significant, the number of institutions is low—fewer than 10. Environmental criteria feature prominently among the corporations identified. **Climate change and carbon emissions** affect $1.38 trillion, followed by **green buildings and smart growth** ($431 billion), **pollution and toxics** ($413 billion) and **sustainable natural resources and agriculture** (also $413 billion). The top social issues are **human rights** and **labor**, each affecting $424 billion. Investment policies considering **community relations and philanthropy** are reflected in $413 billion. A range of governance issues are also important. **Transparency and anti-corruption, board issues, executive pay** and **political contributions** each affect more than $400 billion.

In this group of insurance companies and other corporations, some report that they incorporate environmental, social or governance issues but without specifying particular criteria. The affected assets of these respondents totaled over $1 trillion, as shown in Figure 3.9.

US Department of Labor guidance in October 2015 made explicit that corporate and other private sector pension plan fiduciaries could consider ESG criteria in selecting funds and investments for their plans. See sidebar on page 64 for more details on this regulatory change.

Fig. 3.9: Leading ESG Criteria for Corporations 2016



SOURCE: US SIF Foundation.

Educational Institutions

Educational institutions in aggregate hold $293 billion in assets that are subject to various ESG criteria, constituting the third largest pool of institutional capital with ESG assets after public funds and corporate funds. The majority of ESG assets relates to **conflict risk** countries and **tobacco** criteria, as shown in Figure 3.10.

Some universities have started to incorporate general environmental, social and governance issues across their investment portfolio instead of or in conjunction with focusing on a single issue or a few specific issues. For example, in 2014 Harvard University, which has the largest university endowment in the United States, publicly committed to this strategy. It was also the first university to become a signatory to the Principles for Responsible Investment. General environmental, social and governance issues affect over $100 billion in university investment assets.

Numerous colleges and universities are also exploring how to apply concerns about specific environmental and social issues to their investment policies, and some have already established and implemented policies.

ESG AND THE INSURANCE INDUSTRY

With over $29 trillion in assets under management globally, the insurance industry represents the second largest institutional investor segment after mutual funds.[9] As long-term, universal investors with a majority of assets in public fixed income securities, insurance companies are exposed to many idiosyncratic ESG risks and opportunities, from tobacco to climate change.

The global insurance industry has made some progress in integrating ESG factors into investment decision making. Much of this work has been steered by the Principles for Sustainable Insurance (PSI) initiative, a UN Environment Programme Finance Initiative (UNEP FI) program launched in 2012. The Principles serve as a global framework for the insurance industry to address ESG risks and opportunities. As of 2016, more than 80 insurance and stakeholder organizations worldwide have become signatories to the PSI, including insurers representing approximately 20 percent of world premiums and $14 trillion in assets under management.[10]

Some of the world's largest insurance companies, including Prudential, MetLife and Sun Life, have developed ESG policies to guide their investment decision making, and a handful have joined the Principles for Responsible Investment (PRI). The industry has also made commitments to tackling climate change, including doubling "climate-smart investments" to 10 times the current amount by 2020; several European insurers have also committed to divesting from fossil fuel assets and investing in climate solutions.[11] Additionally, in May 2016, France's largest insurance company, AXA, announced that it will divest its $2 billion in tobacco holdings, citing the health and economic damage it causes.[12]

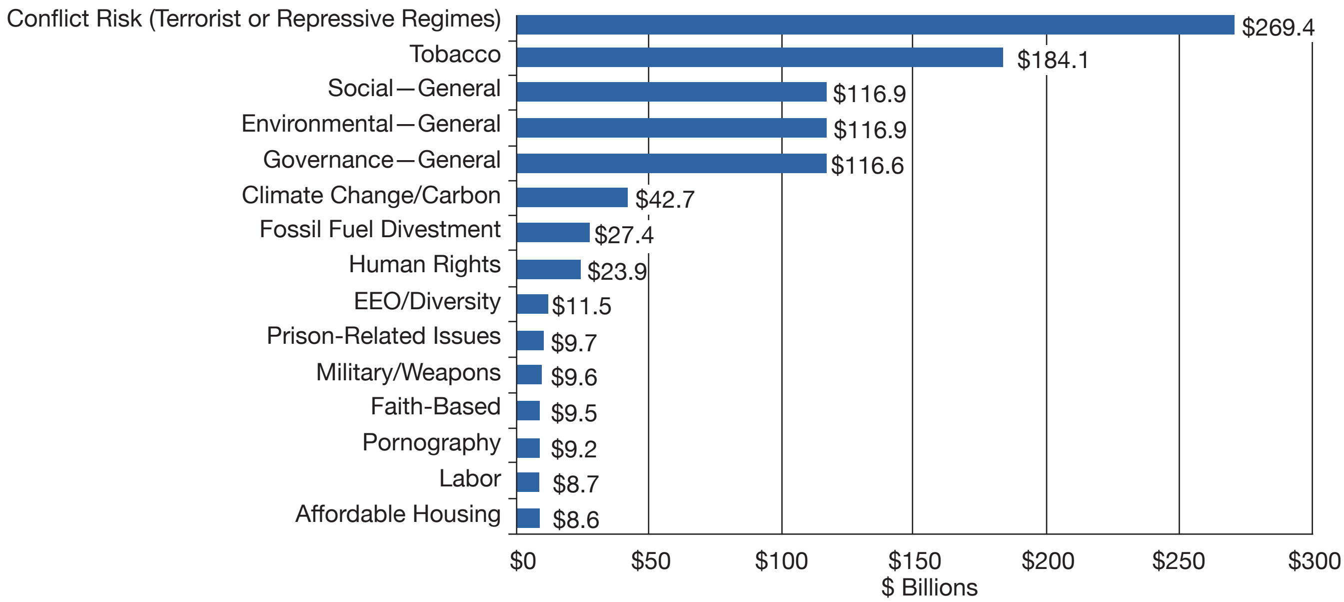
Despite these efforts, the US insurance industry "continues to lag behind others in adhering to voluntary standards established by organizations such as the PRI," according to the Sustainability Accounting Standards Board.[13]

For this report, the US SIF Foundation drew on publicly available data, including PRI disclosures, company websites, and the California Department of Insurance's Climate Risk Disclosure Survey, and found that only a handful of major US insurers have developed robust ESG policies, while few integrate climate risks and opportunities into investment decision making.[14] As risk averse, long-term investors, the insurance industry has an opportunity to lead on ESG integration, particularly in fixed income.

At the start of 2016, the US SIF Foundation identified $42.7 billion held by educational institutions that consider climate change in investment analysis, a dramatic increase over the comparable $1.3 billion identified in 2014. Assets of $27.4 billion are subject to fossil fuel restrictions, compared with just $135 million in 2014.

Student campaigns at colleges and universities across the country continue to urge fossil fuel divestment and climate-friendly investment policies for their endowments.[15] Many of these campaigns have been successful in achieving either full or partial fossil fuel divestment commitments. For example, in 2014 Stanford University announced that its $18 billion endowment would divest from direct holdings in coal companies and direct its external managers to review their exposure to them. That same year Yale University added "climate change awareness" to its investment strategy.[16] In 2015, the University of

Fig. 3.10: Leading ESG Criteria for Educational Institutions 2016



SOURCE: US SIF Foundation.

California divested $200 million out of coal and oil sands, Syracuse University committed to remove its direct investments from coal, oil and gas companies, and Georgetown University's board of directors voted to end direct investments in coal companies. In 2016, the University of Massachusetts became the first major public university to end direct investments in fossil fuels. Over 30 US colleges and universities had committed to full or partial fossil fuel divestment as of August 2016.[17]

In addition to environmental concerns, social issues have also gained prominence among educational institutions. Consideration of **human rights** affects $23.9 billion, **equal employment opportunity and diversity** affect $11.5 billion and **prison-related issue**s affect $9.7 billion. In terms of products, policies restricting investments in **military/weapons** also affect $9.6 billion.

As of 2016, approximately 40 educational institutions have convened official committees on investor responsibility.[18] Institutions increasingly are mentioning ESG considerations in their investment policy statements, and more institutions are committing money to sustainable investment funds. Several nonprofit organizations and networks such as the Responsible Endowments Coalition, the Sustainable Endowments Institute and the Intentional Endowments Network provide endowments, students and other stakeholders with support, data and research on sustainable investment issues.

Philanthropic Foundations

The US SIF Foundation identified over 100 foundations in 2016 that apply one or more ESG criteria to $64 billion in assets collectively, accounting for just over 1 percent of the total institutional ESG assets discussed in this chapter. While the aggregate ESG assets of foundations fell by 8 percent from 2014, the number of foundations that practice some form of sustainable and impact investing increased from 102 to 128. Data collected in this survey shows that products generally associated with negative screens, such as tobacco, alcohol and gambling, declined in asset-weighted value, while assets associated with a number of other ESG criteria grew as described below.

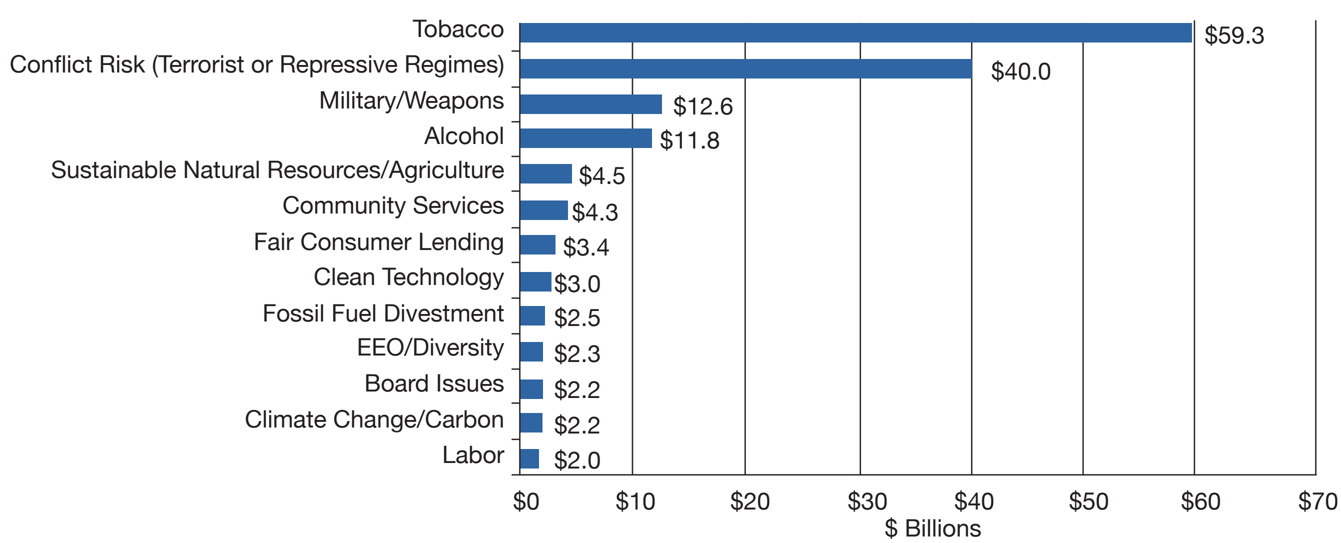
The top four issues in asset-weighted terms remain the same as in 2014—**tobacco**, **conflict risk** countries, **alcohol** and **military/weapons**, as seen in Figure 3.11. Assets with tobacco exclusionary screens fell from $66.3 billion in 2014 to $59.3 billion in 2016, pulling overall ESG assets down for foundations. However, assets with criteria relating to **sustainable natural resources and agriculture** increased 67 percent, from $2.7 billion in 2014 to $4.5 billion in 2016, moving it into the top five and replacing gambling (for which identified assets fell from $6.7 billion to $1.7 billion). Other prominent environmental issues are **clean technology**, affecting $3.0 billion, **fossil fuel divestment** ($2.5 billion) and **climate change and carbon issues** ($2.2 billion).

The top community issue is **community services**, which involves investments that focus on the provision of services for low- and moderate-income communities, including childcare, education and healthcare, affecting $4.3 billion. **Fair consumer lending** followed with $3.4 billion.

Several social issues each affected more than $1 billion, including **equal employment opportunity and diversity** ($2.3 billion), **labor** ($2.0 billion), **human rights** ($1.4 billion), **prison-related issues** ($1.2 billion) and **gender lens investing** ($1.0 billion).

The most prevalent governance criterion is **board issues**, which affect $2.2 billion. **Executive pay** criteria affect $1.6 billion.

Fig. 3.11: Leading ESG Criteria for Foundations 2016



SOURCE: US SIF Foundation.

Like other institutional investors, foundations tend to be invested for the long term. Foundations are distinguished from many other institutional investors, however, by their explicit philanthropic missions. A fundamental reason for foundations to adopt sustainable and responsible investment strategies is to have additional tools to advance their programmatic goals and generate positive impact.

Foundations are required to make an annual 5 percent "qualifying distribution" from their assets "to accomplish charitable, religious, educational, etc., purposes or amounts contributed to a governmental unit for exclusively public purposes."[19] A small group of foundations also makes program-related investments, which the Internal Revenue Service defines as investments that provide capital to nonprofit and for-profit enterprises primarily to advance the mission of the giving foundation. Income generation must not be a "significant purpose" of the investment for the foundation.[20] Program-related investments, by definition, involve only a small portion of its practitioners' total assets.

Some foundations, moreover, apply ESG criteria across all or a portion of the endowment corpus in order to support their mission, broader social responsibility goals or fiduciary duty. The 100% IMPACT Network of Toniic Institute specifically supports a membership of foundations and other accredited investors who have committed 100 percent of their assets to positive social and/or environmental impact. Divest/Invest Initiative, a campaign for foundations committing to fossil fuel divestment, has also spurred the interest of many foundations in applying sustainability issues within their endowment. As of August 2016, 150 US and other foundations with $5 billion in assets had signed on to the initiative.

Other networks and resources for foundations involved in the various forms of sustainable and impact investing include Confluence Philanthropy, Council on Foundations, Exponent Philanthropy, Mission Investors Exchange and The ImPact, among others.

Labor Funds

Of the labor funds surveyed in 2016, only a few reported incorporating any kind of ESG criteria into their investments, but they account for $62 billion in ESG assets, a significant expansion from the $254 million in ESG assets held by labor funds in 2014.

Besides general ESG issues, the top specific issue is **labor**, affecting $274 million. A host of other ESG issues—from executive pay and clean technology to affordable housing—are considered but to a much lesser extent in asset-weighted terms.

Although fund managers catering to Taft-Hartley plans—employee pension funds administered jointly by union and employer representatives—have increasingly added environmental and community impact to their guidelines, few union funds reported having adopted similar criteria as a matter of formal investment policy.

Many labor funds use shareholder advocacy strategies instead of ESG incorporation because they typically prefer to be fully invested in the market as “universal investors.” As such, labor groups are particularly active shareholder resolution proponents, especially on governance and environmental issues, as the next chapter highlights. To that end, unions have also been very active in shareholder coalitions such as the Investor Network on Climate Risk, in which labor funds representing $170 billion in assets are members.

Faith-Based Investors

Faith-based institutional investors, led by members of the Interfaith Center on Corporate Responsibility (ICCR), account for $44 billion in ESG assets, less than 1 percent of the institutional assets identified in this report as subject to ESG criteria. A wide range of religious organizations are represented among faith-based institutions, from large Protestant denominational pension boards with billions of dollars in assets, to much smaller local Catholic congregational orders, churches and Jewish and Islamic charitable organizations.

Faith-based investors collectively address almost every environmental, social and corporate governance issue tracked in this report, although specific religious institutions do so in highly individualized ways, depending on their faith tradition and mission. Avoidance of **tobacco**-related investments, **gambling**, **alcohol** and **military/weapons** are among the most prominent issues in asset-weighted terms. **Human rights** also remains a top issue, incorporated in the management of $38.8 billion, as shown in Figure 3.12. The most common social criterion for faith funds after human rights is **prison-related issues**, compared with equal employment opportunity and diversity two years ago.

The top community issues are **affordable housing** ($25.5 billion) and **community services** ($24.7 billion), followed by **fair consumer lending** with $10.4 billion.

ERISA, PRIVATE SECTOR PLANS AND SRI OPTIONS

In October 2015, the US Department of Labor rescinded its 2008 bulletin on Economically Targeted Investments. This bulletin had discouraged fiduciaries for private sector retirement plans from considering environmental and social factors in their investments, and was a major departure from its 1994 guidance that had essentially stated the opposite.[21]

After rescinding the 2008 guidance, the Department of Labor, which is responsible for enforcing the Employment Retirement Income Security Act (ERISA), issued Interpretive Bulletin 2015-1, which makes clear that "fiduciaries need not treat commercially reasonable investments as inherently suspect or in need of special scrutiny merely because they take into consideration environmental, social, or other such factors." In addition, the guidance assures fiduciaries that they may incorporate "ESG-related tools, metrics and analyses to evaluate an investment's risk or return or choose among otherwise equivalent investments."[22] The guidance also states that "environmental, social, and governance issues may have a direct relationship to the economic value of the plan's investment," and thus these issues "are not merely collateral considerations or tie-breakers, but rather are proper components of the fiduciary's primary analysis of the economic merits of competing investment choices."[23]

As a result, this regulatory change may have paved the way for many more private sector plans to adopt SRI options beginning in 2016.

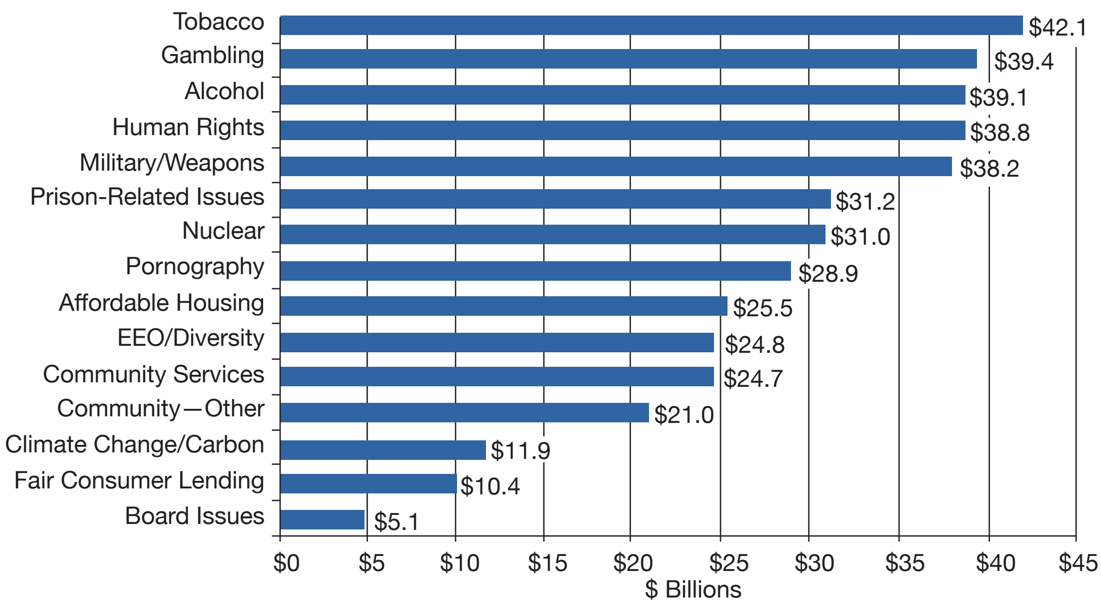
In order to develop a baseline to track the impact of this new bulletin on retirement plans, the US SIF Foundation sought to analyze the landscape before the new guidance took effect. Thus, it conducted an analysis of the publicly available 2014 return filings of the annual reporting requirements of employee benefit plans as collected under ERISA and the Internal Revenue Code through the Form 5500.[24] Based on the 2014 annual filings of 685,203 private sector plans to the Department of Labor, the data shows that $8.31 trillion dollars were held in private retirement plans, with $501 billion in contributions made in 2014 alone.[25]

From the individual 2014 Form 5500 filings, which provide data as of December 31, 2014, the US SIF Foundation was able to analyze the Schedule D data, which refers to any plan that had to report Direct Filing Entities (DFE), which includes the following four categories: Common/Collective Trusts, Pooled Separate Accounts, Master Trusts, and 103-12 Investment Entities.

If a Form 5500 filer has a DFE, then it has to file Schedule D to report what underlying holdings are included. In 2014, the total assets reported in this category for plans with over 100 participants was $3.13 trillion, or approximately 40 percent of the total assets captured in the Form 5500 reporting. Within these 2014 DFE filings, the US SIF Foundation found approximately $2.7 billion across 2,390 plans invested in 32 fund options that explicitly market themselves as SRI.[26]

The most important environmental issue in asset-weighted terms—**climate change and carbon emissions**—affects $11.9 billion in faith-based investment assets. Regarding governance criteria, **board issues** are the most prominent ($5.1 billion) followed by **political contributions** ($3.2 billion).

Fig. 3.12: Leading ESG Criteria for Faith-Based Institutions 2016



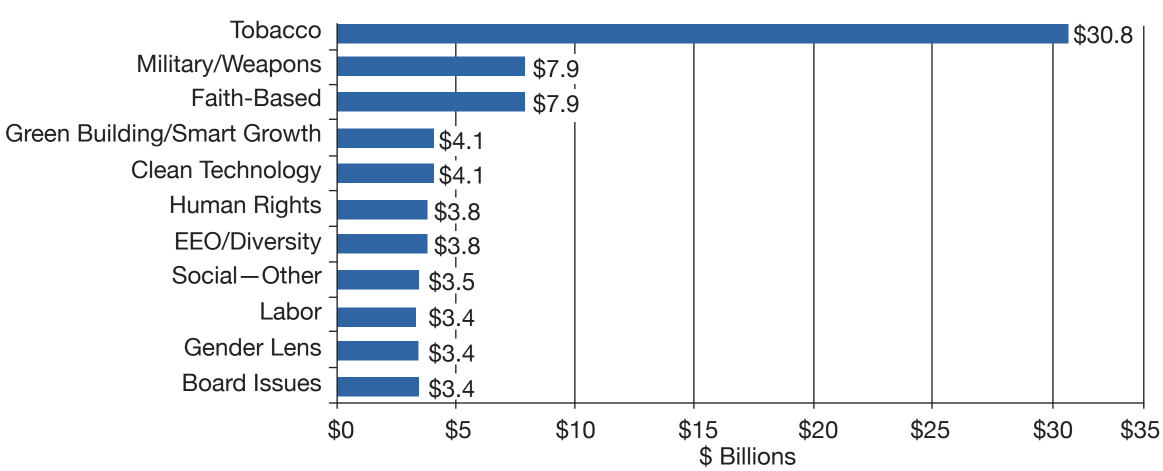
SOURCE: US SIF Foundation.

Hospitals and Healthcare Plans

Hospitals and healthcare plans manage $32 billion in ESG assets, less than 1 percent of the total institutional assets identified in this report as subject to ESG criteria. The most prominent ESG criterion for this segment of investors remains **tobacco**, affecting $30.8 billion. The American Medical Association and the American Hospital Association encourage tobacco-free investing, and many hospitals restrict tobacco from their portfolios to align their missions with their investment strategies.

Additionally, some hospitals organized as nonprofits or affiliated with religious communities incorporate other ESG criteria that reflect broader missions.[27] Investment policies related to **military/weapons** and **faith-based** products affect $7.9 billion each.

Fig. 3.13: Leading ESG Criteria for Healthcare Institutions 2016



SOURCE: US SIF Foundation.

Environmental and social issues have become more important in asset-weighted terms over the past two years. **Green buildings and smart growth, clean technology, equal employment opportunity and diversity** and **human rights** each affect approximately $4 billion. **Labor** and **gender lens** investing follow closely behind with $3.4 billion. **Board issues** are the most prominent governance criterion, also affecting $3.4 billion.

Other Nonprofit Organizations

Institutional investors in this category include research, advocacy and trade associations but exclude philanthropic foundations, which were discussed previously. Nonprofit organizations account for $13 billion in assets subject to ESG criteria, about the same amount identified in 2014. Investment policies regarding the avoidance of **tobacco** are the most prominent in asset-weighted terms, affecting $9 billion, followed by policies restricting investments in **alcohol, gambling, pornography** and **military/weapons** companies, each affecting about $8 billion. Criteria concerning **faith-based** products also affect $8 billion. Over $2 billion are subject to general ESG policies.

Fossil fuel divestment affects $580 million. Nonprofit organizations also apply a wide range of other environmental, social and governance criteria, including executive pay, product safety, microenterprise finance and human rights, to investments of more than $100 million.

In 2015, the nonprofit organization World Resources Institute launched a Sustainable Investing Initiative and hired its first head of sustainable investing. It is beginning to incorporate environmental, social and governance issues in the management of its endowment, while also serving as a resource to other asset owners. The Nature Conservancy has also publicly committed to developing sustainable investment policies and emphasizes that this aligns with its conservation mission.[28] Examples such as these have increased the visibility of sustainable investing as an option for other nonprofits.

Family Offices

The US SIF Foundation first tracked family offices, including trusts, in 2012. As in previous years, only a handful of family offices were identified that incorporated environmental, social and/or governance issues in the investment process. However, ESG assets under management, while small overall, increased 57 percent from $1.5 billion to $2.4 billion over the past two years. As a comparison, family offices in the United States are estimated to represent $1.7 trillion in total assets under management. They include approximately 3,000 single family offices (SFOs) and 150 multi-family offices (MFOs). SFOs represent about $1.2 trillion and MFOs represent about $500 billion.

The predominant criteria family offices consider are environmental issues, with **sustainable natural resources and agriculture** at the top, affecting $1.6 billion. **Clean technology**, **climate change and carbon emissions**, **green buildings and smart growth**, and **pollution and toxics** come close behind with each affecting approximately $1.5 billion, while **fossil fuel divestment** policies apply to $1.3 billion in assets.

Labor and **human rights** are the most prominent social issues in asset-weighted terms, each affecting $1.3 billion, followed by **equal employment opportunity and diversity** ($958 million). Within governance criteria, policies on **board issues**, **political contributions**, and **transparency and anti-corruption** also account for $1.3 billion each.

In addition, a number of these family offices apply a variety of other ESG criteria to holdings collectively totaling $1 billion or more. These include **community relations and philanthropy, small and medium businesses** and a host of exclusionary policies related to **alcohol**, **gambling**, **tobacco**, **nuclear**, **military/weapons**, and **animal testing and welfare**.

Although publicly available data on family offices is limited and some SFOs have policies prohibiting the disclosure of investment information in surveys, anecdotal evidence suggests that family offices are making more frequent inquiries to family office membership associations, financial advisors and consultants about adopting sustainable investment strategies. SFOs, MFOs and family office association leaders highlight millennials as a driving force in the movement toward sustainable and impact investing, but other generations also play a role. The 2016 US Trust Insights on Wealth and Worth report found that 57 percent of surveyed high net worth millennials (ages 18–34) are interested in adding impact investments, and 28 percent already have such investments. In comparison, 31 percent of surveyed high net worth members of Generation X (ages 35–51) are interested in adding impact investments and 24 percent already have them.[29] Some members of the older generations are emphasizing sustainable impact investing as a way to engage the interest of younger family members and to enhance the overall positive impact of the family legacy.[30]

IV. Investor Advocacy and Public Engagement

Filing shareholder resolutions on environmental, social or governance (ESG) issues at publicly traded US companies is one of the most visible and verifiable ways in which investors can practice responsible ownership, whether or not they also use ESG criteria to select these companies for their portfolios. The US SIF Foundation therefore counts the assets engaged in filing or co-filing shareholder resolutions as a component of the overall tally of assets engaged in sustainable and impact investing, as shown in Figure 4.0.

Investors can also encourage their portfolio companies to review or improve their ESG policies, practices and strategic planning through their proxy voting and by sending letters, engaging in dialogue with both publicly traded and privately held portfolio companies, either directly or through investor networks.

In addition, investors can encourage policymakers and regulators to require better disclosure or strategic planning by companies on ESG issues and to establish regulatory policies that facilitate sustainable, responsible and impact investing.

This chapter will explore each of these responsible ownership and advocacy practices and investor-related public policy initiatives, including the assets and numbers of the institutional investors and money managers that engage in them. It closes by examining the trends and successes of shareholder proposals on ESG issues from 2014 through 2016.

Fig. 4.0: Sustainable and Responsible Investing Assets 2016

ESG Incorporation	(in Billions)	
Money Managers	$8,097.9	
Institutional Investors	$4,724.5	
Overlapping Assets	$(4,724.5)	
Subtotal		**$ 8,097.9**
Filing Shareholder Resolutions		
Money Managers	$1,038.6	
Institutional Investors	$1,519.6	
Subtotal		**$2,558.2**
Overlapping Strategies		$(1,932.9)
Total		**$8,723.2**

SOURCE: US SIF Foundation.
NOTE: ESG Incorporation includes community investing institutions (CIIs). All asset values are in billions.
US SIF Foundation identified over $5.1 trillion in the institutional portion of Money Managers' ESG assets under management, so the Institutional Investors' ESG assets identified separately are removed to control for the potential inflationary effects of double counting. For more details, see Chapter V: Methodology.

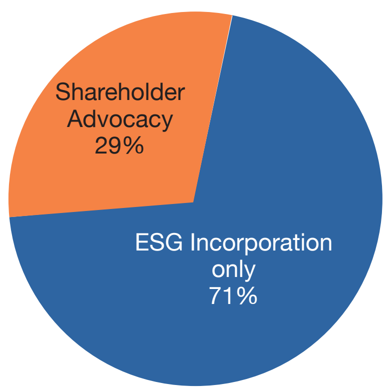
Key Trends

- From 2014 through the first half of 2016, 176 institutional investors and 49 investment managers collectively controlling a total of $2.56 trillion in assets at the start of 2016 filed or co-filed shareholder resolutions on ESG issues.
- Of this $2.56 trillion in assets, $1.93 trillion is also engaged in the strategy of ESG incorporation.
- In addition to or apart from filing shareholder resolutions, 57 institutional asset owners, with $912 billion in total assets, reported on the survey that they engaged in dialogue with companies on

ESG issues, as did 61 asset managers, with $6.9 trillion in assets under management.

- Disclosure and management of corporate political spending and lobbying is one of the greatest single concerns raised by shareholders on ESG issues; they filed more than 370 proposals on this subject from 2014 through 2016. Many of the targets are companies that have supported lobbying organizations that deny climate change science and oppose regulations to curb greenhouse gas emissions.
- Separately, investors filed 350 proposals at US companies from 2014 through 2016 to facilitate shareholders' ability to nominate directors to corporate boards. As a result of the strong investor support for these "proxy access" proposals, the share of S&P 500 companies establishing proxy access measures over this period grew from 1 to 40 percent.
- A surge in shareholder proposals on climate change began in 2014 as investors wrestled with the prospects of "stranded" carbon assets, US and global efforts to curb greenhouse gas emissions and the calls by 350.org and other environmental groups for divestment from fossil fuel companies.
- The proportion of shareholder proposals on social and environmental issues that receive high levels of support has been trending upward. From 2007 through 2009, only about 17 percent of these proposals received support from 30 percent or more of the shares voted. Since 2013, approximately 30 percent cleared this threshold.

Fig. 4.1: Shareholder Advocacy as Share of SRI Assets 2016



SOURCE: US SIF Foundation.

The Tools of Responsible Ownership

Proxy Voting

Shareowners in publicly traded companies are entitled to vote their shares on items that are presented, whether by management or by other shareholders, for a vote at the corporation's annual general meeting. In the United States, the agenda for the meeting and related materials that is mailed to investors ahead of the annual meeting is called a "proxy statement," leading to the term "proxy voting." Shareholders can attend the meeting in person, but can also cast their votes electronically or by mail. Publicly traded companies must report on the vote results from their annual meetings within four days by filing an 8-K form with the US Securities and Exchange Commission (SEC).

Regulatory developments over the last few decades have encouraged investors to take a thoughtful approach to proxy voting. In 1988, the US Department of Labor wrote a letter, in response to a query from the chair of Avon Products' Retirement Board, concluding that proxy voting should be considered a fiduciary duty and exercised solely in the interests of plan beneficiaries. Because the Department of Labor has the responsibility, under the Employee Retirement Income Security Act, for ensuring that the administrators of private sector pension plans fulfill their fiduciary duty to the beneficiaries of those plans, the "Avon Letter" was considered to apply to private sector retirement plans in general. The Department of Labor elaborated further on the fiduciary duty of proxy voting in Interpretive Bulletin 94-2, saying that fiduciaries should maintain accurate records of their proxy voting and spell out their guidelines of proxy voting formally as part of their overall statements of investment policy.

Thanks to regulation adopted by the SEC in January 2003, mutual funds and investment advisors began uniformly disclosing how they vote on a host of proxy issues in 2004. Investment advisors are also required to disclose voting guidelines and voting records to clients upon request. Mutual funds must make such disclosures publicly available, providing greater accountability on how they are exercising their role as shareholders at the companies they own. SRI mutual funds were leaders in disclosing their proxy votes and policies even before the SEC requirements took effect.

Filing Shareholder Resolutions

Shareholders can increase their involvement and shape discussion at their companies' annual meetings and boardrooms by filing proposals on ESG issues. By filing shareholder resolutions, which may then proceed to a vote open to all investors of the company, shareholders bring important issues to the attention of company management and the board of directors, often winning media attention and educating the public as well. A company's annual proxy statement is a public document that can be retrieved online at the SEC's "Edgar" site.[1]

In the United States, the rules governing the process of filing shareholder resolutions are the regulations and bulletins that the SEC has issued under Section 14a-8 of the Securities Exchange Act of 1934. They permit shareholders to file a proposal at a company if they own at least $2,000 or 1 percent of the company's shares and have held the shares continuously for the past year. Proposals are limited to 500 words and cannot contain false or misleading information or be motivated by a personal grievance. Proposals also generally need to address corporate environmental, social and governance questions considered significant public issues and cannot pertain to "ordinary business" issues such as employee benefits, personnel changes or the sale of particular products. Finally, the shareholder proponent—or a designated representative—must attend the annual meeting in person to present the proposal formally. (Companies typically treat a resolution that is not presented as if it had never been filed.)

Companies receiving proposals can challenge them at the SEC based on the proposal's content or the ability of the proponents to prove they meet share ownership requirements. The SEC acts as a referee in these cases by sending a letter to both corporate management and the filers of the resolution with its opinion on whether the company can omit the proposal from its meeting agenda and proxy statement—or must include it.

In addition, to resubmit resolutions in subsequent years after an initial filing, the proposal must win at least 3 percent support in its first year, 6 percent in its second and 10 percent in its third year and all years after. In other words, a proposal that consistently gets the support of at least 10 percent of the shares voted can be re-filed indefinitely, assuming it meets the overall requirements for proper subject matter. The SEC calculates support levels by dividing the total votes cast for the proposal by the total votes cast for and against the proposal. (It does not count abstentions.) If a proposal fails to meet the requisite resubmission thresholds, the filer must wait three years to resubmit it.

Certain types of resolutions on governance issues that speak to core shareholder rights—such as a majority vote standard for board elections—regularly receive votes over 50 percent of the shares voted. While support over 50 percent is still rare for shareholder proposals on social and environmental proposals, many such proposals receive support of 30 percent or more.

PROXY VOTING GAINS NEW SCRUTINY

Proxy voting is shaping up as the next frontier in responsible investing. While shareholder proposals on ESG issues, on average, win higher levels of support now than a decade ago, many responsible investing advocates question why thoughtfully crafted proposals on climate change risk and other critical ESG issues fail to win majority support at most US companies.

As a result, there is growing scrutiny of mutual fund voting. An analysis of how 42 leading mutual funds voted in 2015 revealed that nine firms— Vanguard, American Funds, American Century, BlackRock, Fidelity, ING (Voya), Lord Abbett, Pioneer and Putnam—failed to support any shareholder proposals on climate change.[2]

Many asset owners are also at fault in this regard, according to the Asset Owners Disclosure Project, a not-for-profit organization that seeks to protect asset owners from the risks posed by climate change. For example, the organization examined the voting on a 2016 proposal from the New York State Common Retirement Fund asking ExxonMobil to report its climate change strategy, a proposal that won 38 percent support. It noted that half of the investors in Exxon that voted against the resolution are signatories to the PRI and arguably violating their commitments to PRI. Principle Two requires signatories to "be active owners and incorporate ESG issues into our ownership policies and practices," while Principle Three requires that they "seek appropriate disclosure on ESG issues by the entities in which we invest."

The PRI, in a statement on its website, contrasted the majority votes that similar resolutions had received at European companies Anglo American, Glencore and Rio Tinto, and commented on the "trans-Atlantic divide" in proxy voting on climate issues. The PRI has signaled that it plans to pay closer attention to signatories' proxy voting as part of its effort to take active ownership practices forward.[3]

However, shareholder resolutions do not need majority support to have an impact. Since the vast majority of shareholder resolutions are advisory—phrased as requests to management—management is not legally obligated to implement them even when they do pass. (An exception is shareholder proposals that call for bylaw amendments, which would have to be implemented if they passed.) Nevertheless, in many cases when votes become significant, directors heed the concerns raised in advisory proposals and find ways to improve their policies or disclose more information in response.

Shareholder resolutions can also be effective even if they never come to votes. The process of filing often prompts productive discussion, leading to agreements between the filers and management that enable the filers to withdraw their resolutions. Many companies are open to negotiating with proponents either to find common ground on an issue or to remove potentially controversial items from the proxy statement.

The Interfaith Center on Corporate Responsibility (ICCR), the Investor Network on Climate Risk, a project of Ceres, and the Investor Environmental Health Network play a major role in coordinating many of the resolutions that are filed at US companies on ESG issues. Through these networks, potential filers can find co-filers to lend weight to their appeals. Since a shareholder representative must attend the annual meeting in person to present the resolution formally, having co-filers can ensure that sufficient representatives are available during the busy annual meeting season, especially when target companies have meetings on the same day.

Dialogue, Engagement and Networks

In addition to or instead of filing shareholder resolutions, concerned investors often communicate directly with the management of portfolio companies. Many shareholder advocates file resolutions only after efforts to pursue discussions with managements of portfolio companies have been rebuffed or have not been fruitful. Others may file shareholder resolutions more readily, to meet filing deadlines, but make clear in their filing letters to companies that they are open to engagement that might lead to agreements where the resolution can be withdrawn.

Responsible investors can often augment their messages to portfolio companies, or gain some economies of scale in these efforts, by joining investor networks focusing on particular aspects of corporate responsibility and disclosure. Through CDP (formerly the Carbon Disclosure Project), for example, asset owners and investment managers can become signatories to the CDP's annual appeals to thousands of global corporations asking them to report on their greenhouse gas emissions and to assess the risks and opportunities they face from climate change, as well as on water and forest management issues. Over 800 institutional investors—with aggregate assets of $95 trillion—have lent their names to the initiative, and more than 5,500 global companies disclose to the CDP.

In the United States, the Investor Network on Climate Risk represents approximately 120 institutional investors and money managers with more than $14 trillion in assets. In addition to providing a forum for its members to coordinate filings of shareholder resolutions on climate issues, it also issues public policy statements and urges company management to address climate change.[4]

Another investor network that highlights the growing global investor interest in corporate management of ESG issues is the Principles for Responsible Investment (PRI), which counts as endorsers more than 1,500 investment managers and institutional investors from around the world managing more than $60 trillion in assets. In becoming signatories, investors pledge to "incorporate ESG issues into investment analysis and decision-making processes," as outlined by the PRI's first principle.

PRI provides a global platform to facilitate collaborative shareholder engagement initiatives among its signatories. It reported on its website in 2016 that more than 500 PRI signatories "have been involved in at least one collaborative initiative since the platform was launched at the end of 2006."[5]

Public Policy

Recognizing that the level of corporate disclosure on and attention to ESG issues is influenced by the regulatory landscape, concerned investors do not necessarily limit their engagement efforts to their portfolio companies. Individually or though networks and membership organizations such as US SIF, Ceres, the Investor Network on Climate Risk and the Council of Institutional Investors, sustainable and impact investors have helped bring about regulatory changes to improve corporate disclosure and accountability on ESG issues and to provide a policy environment conducive to sustainable investment.

Dodd-Frank Financial Reform Law

In 2010, shareholder advocates in the United States won an important victory when the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was signed into law. The law specified that publicly traded companies must allow shareholders—at least once every three years—to hold an advisory vote on their executives' pay packages. It also requires publicly traded companies to provide disclosure around various ESG issues that have been of concern to sustainable investors. In the six years since the passage of the law, the SEC has issued the regulations to implement these provisions, which include requirements that companies disclose:

- the ratio of the CEO's pay to the median pay of all employees excluding the CEO,
- the payments they make to foreign governments or the US government for the commercial development of oil, natural gas or minerals,
- any citations and warnings they have received for violating US mine safety law, and
- the measures they use to ensure they are not sourcing certain minerals from the Democratic Republic of the Congo in order to avoid financing the factional war in the eastern part of the country.

Decisions at the SEC

While the Dodd-Frank Act provided new authority to the SEC to hold companies accountable in specific areas, sustainable investors have also urged the agency to fully employ its previously existing authority to improve corporate disclosure.

CLIMATE RISK DISCLOSURE: In January 2010, the SEC issued definitive guidance to companies on disclosing climate change risks to investors. While investors hailed this first step, sustainable investors have urged the SEC to fully enforce the guidance. Ceres, which reviewed the 10-K filings of the S&P 500 from 2010 through 2013, found a wide variation in the quality of reporting on climate risk. Under the Sarbanes-Oxley Act of 2002, the SEC is required to review each listed company's filings at least once every three years. However, when Ceres reviewed the more than 40,000 comment letters the SEC had issued companies in the years from 2010 through 2013, it found only 52 that related to climate risk disclosure.[6] (See the related sidebar on the Task Force on Climate-Related Financial Disclosure.)

DISCLOSURE OF POLITICAL SPENDING: Following the Supreme Court's decision in *Citizens United v. Federal Election* Commission to remove restrictions on political advertising and spending by corporations and other organizations, concerned investors have called on the SEC to require publicly traded companies to disclose their political spending. The SEC has received more than 1.2 million comments on a rulemaking proposal—a record in SEC history—that 10 corporate and securities law professors submitted in 2011 urging it to require full disclosure of corporate political spending. The overwhelming majority of the comments have been in favor of disclosure.

REGULATION S-K: The SEC provided an opportunity for investors to comment on its overall disclosure requirements for publicly traded companies when it issued a concept release in April 2016 requesting comment on Regulation S-K, which lays out disclosure requirements. US SIF, allied organizations and sustainable investors have submitted comments calling for greater disclosure around climate risk, political spending and other ESG issues. Altogether, the SEC has received more than 26,000 comments on the release.

Environmental Issues

Sustainable investors have mobilized in support of stronger environmental regulations, including the US Environmental Protection Agency's Clean Power Plan (CPP), a crucial step in meeting the United States' international commitment to reduce carbon emissions by as much as 28 percent below 2005 levels by 2025.

Fiduciary Duty

US SIF and impact investors, in a coalition with a diverse set of partners, played an important role in the US Department of Labor's decision to rescind its 2008 bulletin on Economically Targeted Investments, which had discouraged fiduciaries for private sector retirement plans from considering environmental and social factors in their investments. In its place, Labor Secretary Thomas Perez issued guidance in 2015 that makes clear that fiduciaries may incorporate "ESG-related tools, metrics and analyses to evaluate an investment's risk or return or choose among otherwise equivalent investments."[7]

THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE

As representatives of nations around the world gathered in Paris in December 2015 for the 21st Conference of Parties to the UN Framework Convention on Climate Change to announce their commitments to reducing greenhouse gas emissions, Mark Carney, the Governor of the Bank of England and the chair of the Financial Stability Board (FSB), announced that the FSB had commissioned a Task Force on Climate-related Financial Disclosures. With former New York City mayor Michael Bloomberg as its chair, the role of the Task Force is to "develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders."[8]

The announcement was hailed by Carbon Tracker Initiative, a financial research organization, as "potentially the carbon equivalent to the cracking of the enigma code" in World War II and a development that could begin to divert "the river of capital flowing dysfunctionally to carbon."[9]

Carbon Tracker's enthusiasm reflects the weight the Financial Stability Board has in the international finance arena. In 2009, in the wake of the international financial crisis, the FSB was created at the request of the G20 with a mandate to promote financial stability through recommendations for the reform of international financial regulation.

KPMG's Global Head of Sustainability Services predicts that "the guidelines that emerge, while voluntary, are likely—with the imprimatur of the FSB—to be accepted as de facto global best practice."[10]

The FSB's challenge to the Task Force was "to promote more effective climate-related disclosures that (1) will support informed investment, credit and insurance underwriting decisions about reporting companies, and (2) will enable a variety of stakeholders to understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risk."[11] The FSB also gave the Task Force one year to deliver two reports:

- A preliminary report to set out the scope and high-level objectives for the proposed work, and
- A final report (by the end of 2016) to set out specific recommendations and guidelines for voluntary disclosure "by identifying leading practices to improve consistency, accessibility, clarity, and usefulness of climate-related financial reporting."[12]

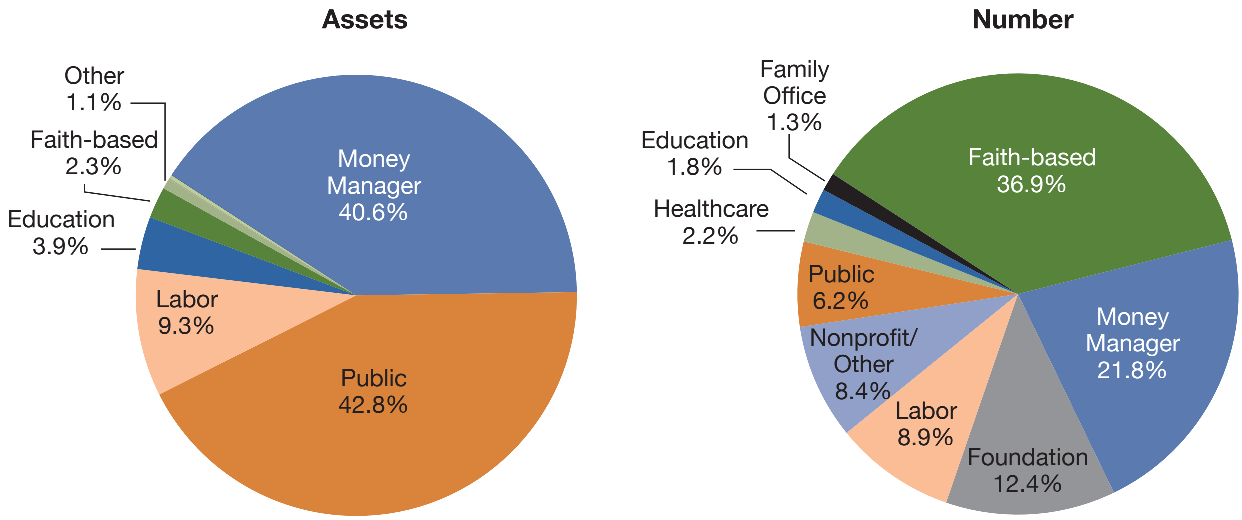
On March 31, the Task Force presented its Phase 1 report, finding that "climate-related disclosure remains fragmented and incomplete, with only a limited number of reporting regimes focusing on the financial risks posed by climate-related impacts."[13]

It said it aims to provide a framework that would better meet the specific needs of users and preparers of financial risk reports by focusing on the physical, liability and transition risks posed by climate change.

The Institutions and Money Managers Involved in Investor Advocacy

As noted earlier, the assets of institutional asset owners and mutual fund companies and other investment managers that filed or co-filed shareholder resolutions from 2014 through mid-2016 are included in this report's overall tally of assets engaged in SRI strategies. In addition, US SIF Foundation's survey of SRI money managers and institutional investors provided insights on the extent to which they engage in formal dialogue with portfolio companies, advocate on public policy and participate in investor networks.

Fig. 4.2: Number of Shareholder Proponents 2014–2016, by Investor Type



SOURCE: US SIF Foundation.

Institutional Investors

FILING OF SHAREHOLDER RESOLUTIONS: Since 2014, 176 institutional investors with $1.52 trillion in assets have filed or co-filed shareholder resolutions on ESG issues. In asset-weighted terms, public funds dominate this arena, accounting for nearly $1.1 trillion of the assets but just 14 of the filing institutions (or 18 if the five New York City public funds are counted separately).

Labor funds were next in terms of assets: 20 labor-related institutions, with $239 billion in assets, filed or co-filed shareholder resolutions from 2014 through mid-2016. As discussed in the previous chapter, many labor funds use shareholder advocacy strategies instead of ESG incorporation, preferring to be invested in the market as a whole.

When numbers of institutions rather than assets are considered, faith-based institutions are the leading institutional investor segment filing resolutions. Eighty-three—nearly half of the institutional proponents in 2014 to 2016—were faith-based investors, and given that many of the hospitals and endowments that engage in the shareholder resolution process do so on the basis of their religious values, faith-based investors play a numerically predominant role. Faith-based investors also commonly complement ESG investing with shareholder advocacy at a higher rate than any other institutional investor segment, even though the assets under their control are lower than those of proponents such as public plans and labor unions.

DIALOGUE: Fifty-seven institutions, with $912 billion in assets, reported on the survey that they engaged in dialogue with companies on ESG issues, compared with 87 institutions, with $1.27 trillion in assets, that answered this question affirmatively in 2014.

PUBLIC POLICY: A new question in the 2016 Trends survey asked survey recipients whether they "attempted to influence governmental policy or industry regulation in 2014 or later to require companies to improve their ESG impacts through engagement with policymakers or regulatory bodies, or through public opinion." Twenty-five institutions with total assets of $918 billion, affirmed that they did. They included eight faith-based institutions and five public funds.

INVESTOR NETWORKS: The institutional asset owners identified in the US SIF Foundation's 2016 survey participate in an array of networks devoted to various aspects of sustainable and impact investing. Two hundred thirteen institutions identified in the 2016 survey, most of which are foundations, are members of Mission Investors Exchange (MIE). The next most populous network, based on the number of US institutional investor members, is the Interfaith Center on Corporate Responsibility, with 97. It is followed in turn by Divest-Invest Philanthropy, a relatively new network that encourages foundations to divest from fossil fuels; it has 80 institutional investor members. Sixty-six pension plans and retirement systems are members of the Council of Institutional Investors (CII), and 59 institutions belong to the Investor Network on Climate Risk (INCR); these members collectively represent more than $2 trillion in assets, making CII and INCR the leading networks for US institutional investors in asset-weighted terms. The Global Impact Investing Network (GIIN) and US SIF each count at least 30 US institutional investors among their members.

Money Managers

Forty-nine mutual fund companies and other asset managers with $1.0 trillion in assets have filed or co-filed **shareholder resolutions** on ESG issues since 2014.

Sixty-one asset managers, with $6.9 trillion in assets under management, reported that they engage in **dialogue** with companies on ESG issues. This compares with 62 asset managers with $7.3 trillion in assets under management who answered this question affirmatively in 2014.

In response to the new survey question, 36 money managers with collective assets under management of $4.6 trillion said that they "attempted to **influence governmental policy** or industry regulation in 2014 or later to require companies to improve their ESG impacts through engagement with policymakers or regulatory bodies, or through public opinion."

Money managers are actively involved in a wide array of **investor networks** and coalitions as well. PRI was the most common investor network to which managers belonged; 218 managers with $17.7 trillion in assets were signatories. Ninety-eight managers with $2.4 trillion in assets are members of US SIF, while 61 managers with $8.3 trillion in assets participate in CDP programs. Fifty-nine managers—with nearly $5 trillion in assets—are members of the Global Impact Investing Network. Fifty-three managers with nearly $1.2 trillion in assets are affiliates of the ICCR. Forty-six money managers with $8.3 trillion in assets are members of the Investor Network on Climate Risk. Smaller numbers of managers reported membership or participation in the EIRIS Conflict Risk Network, the Council of Institutional Investors, the International Corporate Governance Network (ICGN) and the Investor Environmental Health Network.

Highlights from Recent Proxy Seasons

During the proxy seasons of 2014 through 2016, responsible investors concentrated their efforts on making boards more accountable to shareholders and on improving board oversight and corporate disclosure of ESG issues and risks. Shareholder proponents expressed their concern about the pitfalls of unbridled corporate political spending and lobbying and questioned companies about their greenhouse gas emissions and exposure to climate risk. A particularly successful initiative on "proxy access" could lead to more competitive board elections at scores of companies.

The 2014 season appeared to have set a record for the number of shareholder proposals filed on social and environmental issues, with 412 such proposals filed, rivaling the previous record of 401 in 2008, and the number of filings remained high in 2015 and 2016. More significantly, shareholder advocates could point to indicators that companies, at least in certain areas, were responding to their engagement by revising policies and improving disclosure.

Environmental and Social Issues

A roundup of the leading categories of environmental and social proposals from 2014 through 2016, based on the numbers filed and the numbers that came to votes, appears in Figure 4.3.

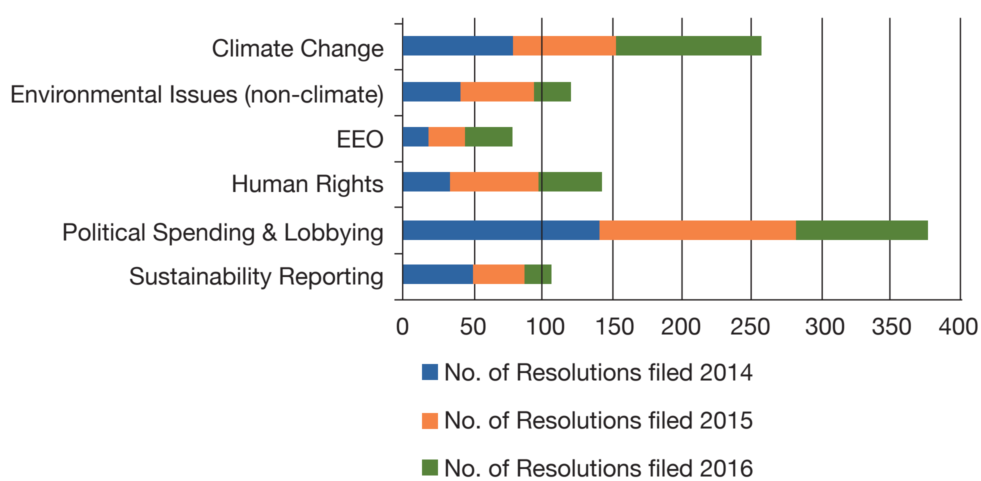
Fig. 4.3: Shareholder Proposals on Key Environmental and Social Issues 2014–2016

Subject	Number of Resolutions Filed			Number of Resolutions Voted			Average Vote (%)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Animal Welfare	11	12	6	6	8	4	15.3	8.0	29.2
Climate Change	80	82	93	30	47	51	23.7	20.2	24.8
Environmental Issues (non-climate)	41	41	40	23	19	16	14.4	15.6	18.5
Equal Employment Opportunity	19	26	32	9	6	10	32.8	20.2	24.7
Labor Issues (non-EEO)	3	13	17	3	1	6	2.8	3.3	13.6
Human Rights	34	62	47	14	18	25	23.4	7.8	6.9
Media	8	4	2	2	2	1	23.8	22.5	22.0
Political Spending & Lobbying	143	121	113	98	74	71	25.0	26.8	25.4
Sustainability Reporting	53	32	20	15	19	16	22.5	30.9	28.8
Other Issues	20	13	12	6	5	3			
Total E&S Proposals	**412**	**406**	**382**	**206**	**199**	**203**			

SOURCE: Sustainable Investments Institute, US SIF Foundation
NOTE: Data for 2016 shows numbers of proposals known to be filed for 2016 meetings as of August 15, and all vote results known as of August 15.

As shown by the number of proposals filed each year (see Figure 4.4), disclosure and management of corporate political spending and lobbying is the greatest single concern raised by shareholders among environmental and social issues, with 377 proposals filed on this subject from 2014 through August 2016. A key catalyst for shareholder concern on this issue was the Supreme Court's *Citizens United* decision in 2010 removing restrictions on corporate political advertising and spending. Many of the targets of these proposals are companies that have supported lobbying organizations that deny climate change science and oppose regulations to curb greenhouse gas emissions. (Political spending and lobbying proposals

Fig. 4.4: Leading Environmental and Social Issues, by Number of Proposals 2014–2016



SOURCE: Sustainable Investments Institute, US SIF Foundation.

are treated as proposals in the social category in this chapter following the classification used by proxy research firms ISS and Sustainable Investments Institute. However, the US SIF Foundation classifies corporate political spending as a governance issue for the purpose of its survey, as shown in Appendix 1.) The next category, based on the number of proposals filed, focuses on the challenges and risks posed by climate change; more than 250 proposals were filed from 2014 through August 2016.

The next three categories in terms of the number of resolutions filed were human rights, environmental issues other than climate, and sustainability reporting.

Based on the average level of support they receive, the priority environmental and social topics for investors lined up slightly differently from 2014 through 2016. The five categories of proposals that consistently received average support levels greater than 20 percent were climate, political spending and lobbying, sustainability reporting, media (relating to privacy and data security) and equal employment opportunity.

Fig. 4.5: Environmental and Social Proposals Receiving High Vote Support 2007–2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Number Voted	187	197	174	175	169	170	183	206	199	203
• Number Receiving >30% Support	30	29	31	51	52	39	56	63	58	60
• Percentage Receiving >30% Support	16%	15%	18%	29%	31%	23%	31%	31%	29%	30%

SOURCE: Sustainable Investments Institute, US SIF Foundation

The number and proportion of shareholder proposals on social and environmental issues that receive high levels of support has trended upward in the last decade. From 2007 through 2009, as shown in Figure 4.5, only about 17 percent of the proposals that came to votes achieved the support of 30 percent of the shares voted. From 2010 onwards, the corresponding percentage has been at least 23 percent, and typically closer to 30 percent. A more detailed look at the 25 highest scoring social and environmental proposals from 2014 through 2016 is shown in Figure 4.6.

Fig. 4.6: 25 Highest Votes on Environmental and Social Resolutions 2014–2016

Company	Issue	Proponent	Year	Vote (%)
Kellogg	Commend animal welfare policy*	Humane Society of the US	2016	98.2
Kraft Heinz	Commend animal welfare policy*	Humane Society of the US	2014	80.7
Fluor	Review/report on political spending	Philadelphia Public Employees Retirement System	2016	61.9
Clarcor	Publish sustainability report	Walden Asset Management	2016	60.8
SLM	Report on lobbying	AFL-CIO	2014	58.6
Smith & Wesson Holding	Report on political spending and lobbying	Amalgamated Bank	2014	55.8
J.B. Hunt Transport Services	Adopt sexual orientation and gender identity anti-bias policy	Trillium Asset Management	2016	54.7
Lorillard	Report on lobbying	Midwest Capuchins	2014	53.7
Dean Foods	Review/report on political spending	New York State Common Retirement Fund	2014	51.8
Valero Energy	Report on lobbying	New York State Common Retirement Fund	2014	51.6
Nabors Industries	Publish sustainability report	Appleseed Fund	2015	51.5
eBay	Report on female pay disparity	Arjuna Capital	2016	51.2
WPX Energy	Report on methane emissions/ reduction targets	California State Teachers' Retirement System	2016	50.8
H&R Block	Review/report on political spending	New York State Common Retirement Fund	2014	50.6
NiSource	Review/report on political spending	New York State Common Retirement Fund	2016	50.3
NRG Energy	Report on political spending and lobbying	New York City Pension Funds	2016	49.4
Duke Energy	Review/report on political spending	Nathan Cummings Foundation	2014	49.4
Occidental Petroleum	Report on climate change	Wespath Investment Management	2016	49.0
Leggett & Platt	Adopt sexual orientation and gender identity anti-bias policy	NYC pension funds	2014	47.8
Cisco Systems	Review/report on political spending	Newground Social Investment	2014	47.8
Marathon Petroleum	Report on lobbying	Trillium Asset Management	2014	47.7
Gulfport Energy	Report on methane emissions/ reduction targets	California State Teachers' Retirement System	2016	47.6
Emerson Electric	Review/report on political spending	Trillium Asset Management	2014	47.4
Emerson Electric	Publish sustainability report	Mercy Investment Services	2016	47.3
Waste Management	Review/report on political spending	New York State Common Retirement Fund	2015	46.7

SOURCE: Sustainable Investments Institute, US SIF Foundation
*These resolutions were supported by management.

As Figure 4.7 indicates, more than one-third of the environmental and social proposals filed in 2014 to 2016 were withdrawn by their filers, in most cases after the proponents held productive discussions with management.

Fig. 4.7: Environmental and Social Proposals, by Status 2014–2016

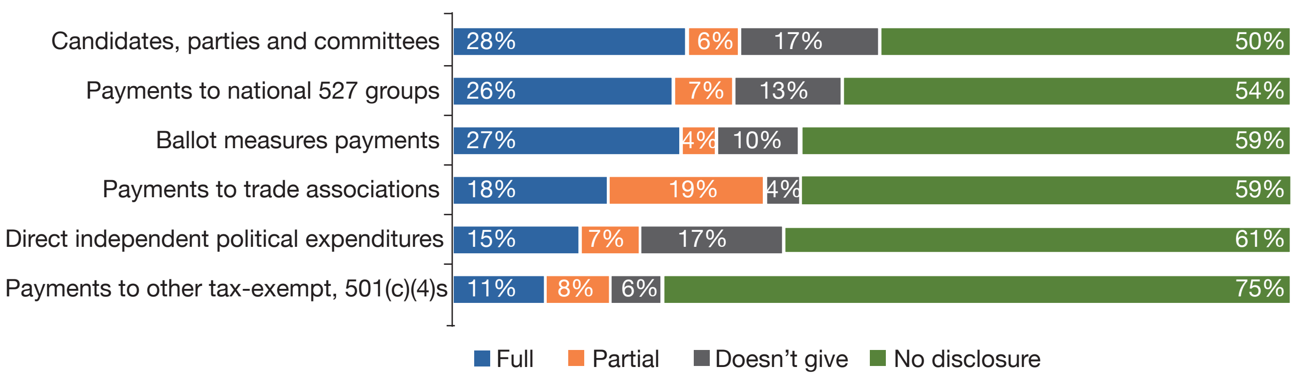
	2014	2015	2016
No. of Proposals Filed	412	406	382
Subtotal Omitted	40	50	41
Subtotal Withdrawn	160	154	113
Subtotal Voted	206	199	203

SOURCE: Sustainable Investments Institute, US SIF Foundation
NOTE: Counts in 2016 are as of mid-August. In addition to the proposals that are omitted, withdrawn or voted, some proposals that are filed are not considered because of company mergers or because the proponents failed to present them.

Some of the recent highlights and shareholder advocacy success stories are detailed below.

CORPORATE POLITICAL SPENDING AND LOBBYING: Investor demands for disclosure and oversight of corporate political spending and lobbying expenditures now dominate the social issues proxy season. Concerned shareholders want companies to exercise proper oversight to ensure these payments serve the best interests of the firms and their shareholders and will not harm their reputations. The campaign's effectiveness has been aided by strong investor support. Notably, more than half of the 15 shareholder proposals on environmental and social issues to receive majority support in 2014–2016 dealt with corporate political contributions or lobbying, as shown in Figure 4.6.

Fig. 4.8: Political Disclosure and Accountability of Companies in S&P 500



SOURCE: Center for Political Accountability: *The 2015 CPA-Zicklin Index of Corporate Political Disclosure and Accountability*.

The campaign on political spending, advised by the Center for Political Accountability (CPA), has been waged by an investor coalition that includes pension funds, labor unions, environmental groups and sustainable investment managers. Since the start of this shareholder campaign in 2004, the CPA and its allies have persuaded scores of major companies to disclose and require board oversight of their political spending with corporate funds. Nonetheless, half of S&P 500 companies today do not disclose even their direct political spending (see Figure 4.8). Direct political spending is defined as contributions payments to state legislative, judicial and local candidates, political parties, political committees and other political entities organized under Section 527 of the Internal Revenue Code, such as Democratic and Republican governors' associations and "Super PACs."[14]

In a related initiative since 2012, the American Federation of Federal, State, County and Municipal Employees (AFSCME) and Walden Asset Management have led a coalition of more than 60 investors that have asked companies to report as well on indirect political spending—their lobbying expenditures through trade associations and nonprofit organizations that do not have to report their donors. The proponents include international asset managers ACTIAM (Dutch) and AP7 (Sweden) and a Québecois pension fund, Le Fonds de Solidarité. The filers have often asked companies to explain their membership in organizations whose lobbying positions contradict the companies' policies on issues such as climate change, fair employment and public health. As of year-end 2015, in response to this prodding, over 100 companies, including Google, Johnson & Johnson, McDonald's, Microsoft, Procter & Gamble, Visa and Walmart, had left the American Legislative Exchange Council, which lobbies against renewable energy mandates at the state level and opposes the federal Clean Power Plan to reduce greenhouse gas emissions. In addition, a number of companies—including Apple, CVS Health and PG&E—left the US Chamber of Commerce because of its opposition to EPA regulation to combat climate change and its efforts to weaken global anti-smoking laws.

In the 2016 season, approximately half of the resolutions focused on lobbying targeted companies that lobby against regulations to cut greenhouse gas emissions or that pay dues, make contributions to or sit on the boards of organizations that oppose legislation to curb greenhouse gas emissions.

Proponents withdrew more than 20 proposals in exchange for substantive commitments from the target companies. They included the following:

- Zevin Asset Management withdrew a resolution at Walmart when the company agreed to post its federal lobbying totals on an annual basis. In 2015, in response to a similar resolution from Zevin, it took the precedent of disclosing its state-by-state lobbying payments.[15]
- Le Fonds de Solidarité withdrew a proposal at Bank of America when the company made improvements in its lobbying disclosure.[16]
- The New York State Comptroller's office was able to withdraw resolutions at Coca-Cola Enterprises, Raytheon, Waste Management, Union Pacific and Centerpoint Energy when they agreed to publicly report all direct and indirect corporate political spending, including payments made to any organization that writes and endorses model legislation.[17]

CLIMATE RISK: A surge in shareholder proposals on climate change began in 2014 as investors wrestled with the prospects of "stranded" carbon assets, US and global efforts to curb greenhouse gas emissions and the calls by 350.org and other environmental groups for divestment from fossil fuel companies. To have a chance at keeping average global temperatures from rising to catastrophic levels, the human population must add no more than about 565 gigatons of carbon dioxide to the Earth's atmosphere. However, the Carbon Tracker Initiative, a group of financial analysts based in London, estimates that the world's coal, oil and gas companies have reserves sufficient to put another 2,795 gigatons into the atmosphere.[18]

In the 2013 annual meeting season, responding to this research, As You Sow Foundation filed a new proposal, to coal company Consol Energy, asking it to report on the likelihood that its coal assets could be "stranded" as governments begin to impose curbs on carbon. Since then, the number of proposals on stranded assets and carbon risk has increased, as have proposals asking companies to set targets for reducing their greenhouse gas emissions and asking petroleum companies about their emissions of methane, a greenhouse gas many times more potent than carbon dioxide. A wide array of investors also filed proposals at 24 companies in 2016 to deploy or increase their use of renewable energy.

The 2016 season also saw the return of proposals, first filed in 2011, on the climate change implications of palm oil, a key component in many food and personal care products. Oil palm cultivation is often achieved by clear-cutting and burning forest areas, which contributes to greenhouse gas emissions and diminishes the habitat of threatened species such as orangutans. By the start of the 2016 proxy season, more than a dozen US companies, including Avon Products, Colgate-Palmolive, General Mills, Kellogg and Target, had committed to sourcing palm oil from sustainable sources after receiving shareholder resolutions.

Some of the highlights involving climate-related proposals in 2016 were:

- Walden withdrew a resolution asking ConocoPhillips to disclose the potential impact on its business operations and oil and gas reserves of scenarios "that are consistent with achieving a reduction of greenhouse gas emissions to limit global warming to 2 degrees Celsius." The company agreed to update carbon asset risk information in its next sustainability report, making it "the only US-based fossil fuel company to provide meaningful reporting on the business implications of a low-carbon future."[19]

- Calvert Investments withdrew a proposal at Dillard's when the company agreed to report to the CDP's 2016 climate survey.

- Trillium withdrew a proposal at Akamai Technologies when the company committed to source renewable energy for 50 percent of its network operations by 2020, and at Amgen when it agreed to include greater disclosure of current and future renewable energy projects in its sustainability report.

- Investors withdrew resolutions at WhiteWave Foods and Church & Dwight when both companies agreed to source palm oil at standards even higher than those of the certification system developed by the Roundtable on Sustainable Palm Oil.

- A proposal from the California State Teachers Retirement System asking WPX Energy to report on its methane emissions and reduction targets won majority support.

OTHER ENVIRONMENTAL RISKS: Sustainable investors have questioned the potential risks of hydraulic fracturing, a technique used in drilling for natural gas, in which chemicals are injected at high pressure underground to break up rock and force the natural gas to the surface. There are concerns that the procedure may harm water supplies for local communities. The campaign began in 2010, when proposals came to votes at six companies and won notably high levels of support for a first-year campaign, ranging from 21 percent to 42 percent.

In 2014, the investor coalition of sustainable investment firms and public pension funds stepped up the campaign by filing shareholder proposals at Chevron, ExxonMobil, EQT, EOG, Pioneer Natural Resources and Occidental Petroleum. They issued a scorecard report, *Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations*, benchmarking companies engaged in hydraulic fracturing practices against investor needs for disclosure.[20] As they noted in a press release, "Companies that received shareholder proposals this year were among those receiving the lowest scores, with no company disclosing information on even half of the 32 indicators assessed."[21] The proponents have subsequently withdrawn proposals at companies that have agreed to step up their disclosure. In 2016, for example, As You Sow withdrew resolutions at Carrizo Oil and Gas and at Newfield Exploration, when both companies agreed to disclose more information about their water use, leak detection and other concerns relating to hydraulic fracturing, and to continue dialogue with As You Sow.

Sustainable investors have also filed resolutions on water risk. In 2016, Calvert withdrew the proposals it had filed at Dean Foods and Fresh Del Monte Produce when both companies agreed to report on water risk and water risk management in their own operations and in their supply chains. Walden withdrew a similar resolution at Flowers Foods when the company agreed to participate in CDP's water survey.

SUSTAINABILITY REPORTING: In addition, in recent years, shareholders have asked firms to review the broad sustainability of their operations, not only in terms of their environmental impact, but also in how they deal with labor and community issues. "For years," as one analyst noted, "proponents have withdrawn two-thirds of sustainability reporting proposals after companies agreed in at least some fashion to tell their investors and the public more about their approach to and performance on sustainability. But in 2015, aspirational statements were not enough—perhaps because of activists' growing worries about the climate crisis."[22] In both 2015 and 2016, over half of these resolutions went to votes, receiving support, on average, several percentage points higher than corresponding proposals in 2014. Several companies subsequently agreed to disclose the requested reports, including Clarcor, where a sustainability reporting proposal earned 61 percent support in 2016.

EQUAL EMPLOYMENT OPPORTUNITY (EEO): Proposals on EEO, virtually all of which in recent years have asked companies to pledge not to discriminate on the basis of sexual orientation and gender identity, consistently get high levels of support. The proponents, including public pension funds and sustainable and responsible investment firms, have been able to withdraw most of these resolutions when the companies have agreed to expand their non-discrimination policies to include this guarantee. Shareholder proponents are aided in their negotiations with companies by the high levels of support such resolutions receive when they do go to votes. Indeed, from 2014 through 2016, such proposals have consistently won average support of 30 percent or more. In 2016, the one proposal along these lines that came to a vote—at JB Hunt Transport Services—won majority support. A major victory for the long-running campaign occurred in 2015, when ExxonMobil at long last agreed to amend its fair employment policy to include sexual orientation and gender identity. The company had received a shareholder proposal every year since 2001 from the New York State Comptroller or other shareholders asking it to adopt such a policy.

In the last three years, sustainable investors have also filed two other categories of proposals that deal with EEO subjects, and by 2016, they constituted the majority of resolutions filed under the EEO banner. One initiative, led by the New York City Comptroller's Office, asks companies to provide breakdowns, by race and sex, of their workforce using the nine job categories defined by the US Equal Employment Opportunity Commission. These proposals have won average support of 20 percent or more.

A second category of proposals, new in the 2016 season, asks companies to report on the gender pay gap. Arjuna Capital filed proposals at nine technology companies asking for a report on company policies and goals to reduce this gap, which it defined as "the difference between male and female earnings expressed as a percentage of male earnings." Vote levels ranged from under 7 percent at Facebook and 12 percent at Alphabet (formerly Google) to majority support at eBay of 51 percent. In addition, Arjuna also withdrew its proposals at Amazon, Apple, Expedia, Intel and Microsoft when the companies reported that the gender pay gap is closed, near closed, or will be closed shortly.

HUMAN RIGHTS: Sustainable investors have filed dozens of resolutions on a wide range of human rights issues from 2014 through 2016.

One type of proposal has asked companies to evaluate the current or potential human rights risks of their products and operations. When these proposals have come to votes, they have often received support of more than 20 percent. The five proposals that came to votes along these lines in 2014—at Halliburton, Kroger, Pantry, Staples and Superior Energy Services—averaged support of 36.2 percent. Similar proposals received 25 percent average support in 2016. In 2015, the results were more mixed: support was 24.9 percent at Urban Outfitters and 30.8 at Kroger, but less than 8 percent at Amazon, Dr. Pepper Snapple Group, Facebook and T-Mobile.

The proponents behind these resolutions have reported a number of successful withdrawal agreements. In 2016, for example, the New York State Comptroller's Office announced that it was able to withdraw its resolutions at Wendy's and YUM! Brands when the companies agreed to conduct assessments of human rights risks related to labor standards in their operations and supply chains.

Another theme in several proposals in the human rights category relates to operations in Israel and Palestine. Beginning in 2014, a nonprofit group called the Holy Land Principles has filed proposals at several companies operating in Israel or the occupied territories asking them to adopt its fair labor principles. In 2016, another nonprofit group, the Heartland Initiative, filed proposals at four companies asking for reports on their policies regarding operations in the occupied territories. These proposals, when they have come to votes, have earned less than 10 percent support.

MEDIA: SRI investment firms also filed a few resolutions asking finance and technology firms about privacy and data security. As Domini Social Investments explains in a recent report on its shareholder advocacy, "Internet and telecommunications companies receive thousands of requests per year from governments around the world to censor content or divulge information about their users. Many of these requests violate international human rights principles."[23] These resolutions received average support of more than 20 percent.

Governance Issues

Sustainable and responsible investors, including public pension funds, labor funds and SRI investment firms, seek to reform the governance of portfolio companies so that directors and executives consider and adopt policies in the long-term interests of the companies, their shareholders and other stakeholders.

As shown in Figure 4.9, concerned shareholders concentrated their efforts from 2014 through 2016 on resolutions seeking to reform the way directors are selected and approved for corporate boards. The leading initiative in this regard was the new campaign on proxy access, which generated 350 proposals. In addition, in order to assure proper checks and balances within the board, shareholder advocates asked for the chair of the board to be independent rather than an employee of the company. Concerned investors also filed more than 300 proposals from 2014 to 2016 on ways to structure executive pay and bonus structures.

PROXY ACCESS: The board elections of publicly traded corporations have almost never been competitive. Shareholders are presented with a single slate of candidates approved by the company's nominating committee, and shareholders wishing to propose alternative candidates must send out their own alternative proxy ballots to do so, which few have the resources to do. In 2010, the Dodd-Frank Act gave explicit authority to the SEC to implement a rule to allow shareholders, under certain conditions, to nominate directors to the boards of their portfolio companies and to have those candidates appear in the company's proxy materials. Although the SEC issued a proxy access rule later that year, business groups challenged it in court, and the SEC chose to withdraw the rule.

That unsatisfactory situation prevailed until 2015, when New York City Comptroller Scott Stringer spearheaded a major proxy access shareholder campaign. The comptroller's proposal, on behalf of the city's pension funds, asked target companies to present a proxy access bylaw to shareholders for approval. It specified that the bylaw should allow shareholders that have collectively owned 3 percent of the company's stock continuously for three years to nominate alternative candidates for up to a quarter of the board seats. Over the course of the year, 120 proxy access proposals were filed, 75 by the New York City funds. Of the 94 proposals that went to votes, 60 percent received majority support. By the end of the year, over 20 percent of the S&P 500 companies had adopted proxy access rules, up from fewer than 1 percent in 2013.[24]

In 2016, the progress continued. New York City reported that it was able to withdraw more than 70 percent of the 72 proposals it filed when the companies agreed to enact proxy access without the need for a vote.[25] By July 2016, approximately 40 percent of S&P 500 companies had adopted proxy access measures.[26]

MAJORITY VOTING: Responsible investors have also pushed for majority vote standards as a way to hold directors accountable. Currently, the legal system under which most publicly traded companies operate allows a "plurality" standard rather than a "majority" standard. Thus, for a non-competitive director election, even if the majority of shares were voted against a nominee, the nominee could still go on to serve on the board. However, shareholders would like to have more power to say "no" in such cases and to have it mean something.

Fig. 4.9: Shareholder Proposals on Key Governance Issues 2014–2016

	No. of Resolutions Filed			No. of Resolutions Voted			Average Vote (%)		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Board Diversity	24	30	30	3	5	10	30.1	13.3	24.0
Board Elections: Board Declassification	28	27	10	17	16	5	82.5	72.5	74.7
Board Elections: Majority Vote for Directors	49	26	23	29	12	19	58.2	61.6	71.4
Board Elections: Proxy Access	26	121	203	18	91	76	34.0	54.8	50.6
Independent Board Chair	80	78	58	63	62	47	31.1	29.2	29.3
Executive Pay	119	140	71	73	78	54	26.5	26.4	18.7

SOURCE: ISS, US SIF Foundation.
NOTE: Data for 2016 show numbers of proposals known to be filed for 2016 meetings as of August 15, and all vote results known as of August 15.

Since 2007, shareholder proposals seeking a majority vote standard in uncontested board elections have consistently earned average support of 50 percent or better, results that corporations have noticed. Executive search consulting firm Spencer Stuart reports that 86 percent of S&P 500 companies have adopted policies requiring directors who fail to secure a majority vote to offer their resignations, up from 71 percent in 2010 and 56 percent in 2008.[27]

Although investors have pushed for a majority vote standard, it is still rare for investors to withhold a majority of votes from directors. More than 95 percent of directors at Russell 3000 companies received majority support in 2012 through 2015.[28]

BOARD DECLASSIFICATION: Still another way by which shareholder advocates have sought to increase board accountability is by pressing for annual elections of all directors, and their efforts have paid off. From 2005 to 2015, the proportion of S&P 500 companies that have staggered board terms (typically, three classes of directors who each serve a three-year term) has fallen from 49 percent to 8 percent.[29] While board declassification proposals have been filed for many years by individual investors, the shareholder campaign gained new attention and momentum more recently as major institutions joined. Under the auspices of the Shareholder Rights Project, a Harvard Law School initiative, the Florida State Board of Administration, four other public funds and the Nathan Cummings Foundation filed 196 proposals at 129 companies from 2012 through 2014. During this period, board declassification proposals averaged support of 80 percent or more in the last three years. Since 2014, the number of annual filings dropped as the number of corporate targets declined.

SEPARATION OF CHAIR AND CEO: Investors concerned about good governance have long called for US companies to separate the positions of chief executive officer and board chair, and to ensure that the board chair is independent—not a current or former executive of the company. Since the CEO and board chair are the two most authoritative positions in a boardroom, assigning both these roles to a single individual removes the checks and balances critical to good governance.

Although it is common practice in other industrialized countries to separate these two positions, the practice has been slower to catch on in the United States. Still, there has been notable progress in the last few years. Spencer Stuart reports that 48 percent of S&P 500 companies' boards have separated the chair and CEO positions, compared with 29 percent in 2005. At 29 percent of these companies, the chair is independent, compared with just 9 percent in 2005.[30]

Much of this improvement can probably be traced to shareholder advocacy on this issue. Since 2007, shareholder resolutions requesting that the current or former CEO not serve as the chair of the board have consistently averaged support of well over a quarter of the shares voted.

BOARD DIVERSITY: Sustainable investors have long pressed for companies to actively seek racial and gender diversity on their boards. As of early 2012, fewer than 13 percent of the board seats of the S&P 1500 (12.6 percent) or the Russell 3000 (11.6 percent) were filled by women.[31] Academic literature suggests that diverse groups are better at problem-solving than homogeneous ones, and studies indicate that companies with diverse boards perform better than companies with homogeneous boards.[32] In June 2012, institutional investors with approximately $1.2 trillion in assets under management, along with representatives of some of the nation's leading women's organizations, sent a letter to 168 companies, including 41 S&P 500 companies, that did not have any women on their boards of directors. The letter urged them to explicitly set gender diversity as a key criterion of their nominating committee charters and director searches.[33]

Calling itself the Thirty Percent Coalition, the group's goal was to increase the percentage of board seats held by women at US companies to 30 percent by 2015. It has continued to contact companies and to issue statements on the importance of board diversity.

To date, progress has fallen far short of the pace of change desired by the Thirty Percent Coalition and its allies. According to analysis by the EY Center for Board Matters, the percentage of board seats held by women at S&P 1500 companies had ticked up to just 17 percent by June 30, 2016.[34]

Progress on increasing the racial and ethnic diversity of corporate boards has made even less progress. Spencer Stuart, reviewing the S&P 500, found that only 15 percent of the board seats of these large cap companies were held by African-Americans, Hispanics/Latinos or Asians in 2015, the same percentage as in 2010.

As a result, a number of sustainable investors—including public and labor funds, SRI investment firms and religious institutions—continue to file proposals asking companies to make a formal commitment to increase board diversity. The majority of these proposals in recent years have been withdrawn when the proponents secured these commitments from companies in advance of the annual meeting. In 2016, to give a few examples:

- The New York State Common Retirement Fund withdrew its shareholder proposal at Priceline Group after the company agreed to formally include gender and racial diversity among the qualities it will actively seek in its board members, and added a second female director to its board.
- Pax World withdrew a proposal at Cognizant Technology Solutions when the company agreed to specify gender and other forms of diversity as considerations in director searches and to better articulate its commitment to seeking qualified women and minority director candidates in its 2016 proxy statement.
- Trillium was able to withdraw a proposal at Stifel Financial when the company appointed two women for the first time to its board.

EXECUTIVE PAY: The enactment of the Dodd-Frank law in 2010 has made it mandatory for publicly traded companies to allow an advisory vote on pay at least every three years. Shareholders have generally pulled their punches, though, in these voting decisions. According to proxy advisory firm ISS, investors have failed, on average, only 51 Russell 3000 companies each year from 2011 through 2015. In addition, ISS reported, average shareholder support for say-on-pay proposals hit a new high of 91.7 percent, even as average total pay for S&P 500 CEOs jumped by 11 percent.[35]

Still, ISS also points to evidence that companies make amends after failed say-on-pay votes: "Companies that failed to adequately respond to low support for their pay programs in 2014, such as by not disclosing shareholder outreach efforts or changes made to address shareholder feedback, were more likely to receive substantial opposition in 2015."[36] A basic rule of thumb is that a say-on-pay package that receives a No vote in the 35 percent range deserves careful board reevaluation and discussions with investors.

As You Sow believes that part of the explanation of apparent shareholder passivity is that many investors hold shares in these companies indirectly, through mutual funds, and "mutual funds are far more likely to rubber stamp" pay policies than pension funds. Still, As You Sow notes, there is wide variation among the largest mutual funds: American and Schwab approved 65 percent of these packages, while Blackrock and TIAA-CREF supported 97 percent of them.[37]

In addition to weighing in on management-sponsored advisory resolutions on pay, public funds, labor funds and other investors have filed shareholder proposals to correct or curb various executive pay practices they view as problematic. On average, though, support from other investors has been muted, at least in comparison with some of the other categories of governance shareholder proposals. An area of success for shareholder advocates has been negotiating "clawback" provisions to recoup executive pay in cases where executives have engaged in fraudulent behavior. In 2014, the New York City Comptroller's Office was able to withdraw six clawback proposals it had filed when the target companies—Allergan, Halliburton, Lockheed Martin, Northrop Grumman, PNC and United Technologies—adopted policies agreeing to disclose the "general circumstances of any clawback…so long as the underlying event is public."[38] Similarly, UAW Retiree Medical Benefits Trust was able to withdraw a clawback disclosure proposal it filed in 2015 with Bank of America when the latter agreed to develop a compensation recoupment and forfeiture disclosure policy.[39]

V. Methodology

To identify assets under professional management in the United States engaged in sustainable, responsible and impact investing strategies, the US SIF Foundation employs a combination of direct surveying as well as primary and secondary research. This section describes the data sources, data qualification and methodology employed for this report. It also outlines improvements to the methodology used in the 2016 surveying. Finally, this section identifies SRI assets that could not be captured during research.

This report is a quantitative, behavioral study. It seeks to measure professionally managed investment assets that fall within at least one of the key strategies of sustainable and responsible investing: (1) the incorporation of environmental, social and corporate governance (ESG) criteria into investment analysis and portfolio selection, which includes the activities of community investing institutions; and (2) the filing or co-filing of shareholder resolutions on ESG issues.

As a behavioral study, the report avoids making qualitative judgments about intent. Some investors, money managers, and mutual funds included in this study therefore may not consider themselves to be "sustainable" or "responsible" investors or actively involved in "SRI." As discussed in the Introduction, the concepts, terms and techniques that investors employ in their incorporation of ESG criteria in investment analysis and selection or their filing of shareholder resolutions vary widely. This study does not attempt to evaluate the qualitative intentions motivating the behavior that this study is designed to identify. (However, the surveying conducted for this report did ask investors to characterize the reasons for their incorporation of ESG issues and the kinds of ESG incorporation strategies that they use.) If an institution or money manager confirms that it uses at least one SRI strategy, regardless of intent, its assets are included in the report. A study employing a methodology that seeks to identify intentionally motivated sustainable, responsible and impact investing would provide an alternative form of measuring SRI, which is not attempted in this report.

Although the research for this report included members of US SIF, research was not limited to these investors. The assets of money managers and institutional investors that are not members of the US SIF qualify for inclusion in the information request provided they meet the criteria outlined below.

Qualification and Quantification

The US SIF Foundation, along with research team members at Croatan Institute, distributed an online information request to money managers and institutional investors from March through August 2016. The research team also reviewed annual reports, financial statements, SEC forms ADV by money managers and IRS 990 filings by nonprofit organizations, 5500 filings by plan sponsors and gathered data from third-party providers and trade associations of community investing institutions, investment companies and institutional investors.

The US SIF Foundation considered that an institution or money manager engaged in SRI if its investment activities included ESG incorporation or filing shareholder resolutions on ESG issues, as described below.

ESG Incorporation

If the institution or money manager incorporated one or more ESG criteria as an explicit part of investment policy or practice as of December 31, 2015, only that portion of the portfolio's investment assets actually subject to the ESG criteria as of that date was credited toward the assets aggregated in this report. Each qualifying money manager or institution had to confirm the ESG criteria utilized and the assets affected by them in one or more of the following ways:

- responding to the US SIF Foundation's online information request;
- responding to research team members who interviewed them by telephone or corresponded with them by email; or
- providing the relevant data in publicly available sources such as annual reports, prospecti, websites, filings with the SEC, DOL, IRS or other relevant government agency, or Transparency Reports to the Principles for Responsible Investment.

If asset data were unavailable as of December 31, 2015, then publicly available data closest to that date were used.

In addition, the research team counted institutions that have historically confirmed incorporating ESG criteria into investments but did not respond to the 2016 information request. Estimates for these institutions' ESG assets were based on their reported ESG assets from the 2014 Trends Report and updated based on their most recently available information as of December 31, 2015. (Institutions that did not provide information on their ESG investment activity more recently than 2013, or for which the US SIF Foundation and its research partners were unable to find information more recent than 2014 were excluded from this estimation.)

The assets, as of December 31, 2015, of US-based community investing institutions were also included in the ESG incorporation section of the report. The US SIF Foundation defines a community investing institution (CII) as a private sector organization, whether for-profit or nonprofit, that has a primary mission of providing access to credit, equity and financial services to communities underserved by traditional financial institutions. This includes, but is not limited to, the community development financial institutions (CDFIs) certified by the US Department of the Treasury. The four CII categories are community development banks; community development credit unions; community development loan funds, including US-based international microfinance funds; and community development venture capital funds.

Starting in the 2013/14 reporting cycle, signatories to the Principles for Responsible Investment (PRI) have been required to disclose data about their responsible investment activities, which are published online in an RI Transparency Report. In their responses to the 2015/16 Transparency Reports, a number of money managers reported that they incorporate ESG criteria—often through the strategy of ESG integration—across multiple asset classes. Additional research was performed on these money managers to isolate their US-domiciled assets managed with ESG criteria. Membership in the PRI alone is not a sufficient criterion for including money manager assets in this analysis.

Filing Shareholder Resolutions

The US SIF Foundation counts an institution as a shareholder proponent if it sponsored or co-sponsored at least one shareholder resolution on ESG issues, as tracked by the Interfaith Center on Corporate Responsibility (ICCR), Institutional Shareholder Services (ISS) or Sustainable Investments Institute, between 2014 and summer 2016. For each such institution, the total assets under its management as of December 31, 2015, were included in the shareholder advocacy subtotal of the aggregate SRI universe. Some institutions self-reported filing shareholder resolutions during this time period but were not tracked by the above organizations. In those cases, the research team contacted the institutions to confirm the information. The assets of institutions that self-reported filing resolutions but could not be confirmed as having done so since 2014 were not included in the shareholder advocacy subtotal of the report's aggregate SRI universe.

Institutions were also asked if they engaged in other shareholder advocacy activities in 2014 or later, aligning with the Impact of Equity Engagement (IE2) initiative taxonomy, including (1) dialogue with current or potential investees in order to improve the companies' ESG practices or disclosure, either directly or through a service provider representing their assets; (2) undertaking legal action or public campaigns toward a company for failure to address their concerns on ESG issues; and (3) attempts to influence public opinion or governmental policy or industry regulation to require companies to improve their ESG disclosure or impacts. The institutions that reported engaging in any of these three additional shareholder advocacy strategies were described in the study, but their assets were not included in the shareholder advocacy subtotal of the aggregate SRI universe.

The assets of investors involved in both ESG incorporation and shareholder advocacy were controlled to avoid potential inflationary effects of double counting prior to aggregation of the broader SRI universe.

Data Sources and Enumeration

With its research partners, the US SIF Foundation developed an information request that was circulated via email to 512 money managers and 1,144 institutional investors. Money managers and institutional investors responding to this information request provided much of the data for this report. Supplementary data were obtained through primary and secondary source research conducted by the US SIF Foundation and Croatan Institute. In total, the 2016 Trends Report researched the SRI activities of 797 money managers and 1,660 institutional investors.

Money Managers and Community Investing Institutions

To identify investment vehicles that incorporate ESG criteria into investment analysis or decision making, the US SIF Foundation distributed an online information request to asset management firms and investment advisors. The information request collected data on the firms' total US-domiciled assets under management, the US-domiciled assets subject to ESG criteria, each US-domiciled investment vehicle and account incorporating ESG criteria and the specific ESG criteria applied.

The information request also asked managers and advisors about their motivations for ESG incorporation, ESG strategies implemented and membership in investor networks.

The request targeted US SIF members as well as non-member firms, identified through the following sources:

- a proprietary database of managers and funds maintained by the US SIF Foundation;
- lists of US managers with environmental and social investment funds maintained by Bloomberg and Morningstar Associates;
- money managers included in lists of shareholder proponents provided by ICCR, ISS or Sustainable Investments Institute; and
- responsible and impact investment networks such as the Principles for Responsible Investment, the Investor Network on Climate Risk, the Carbon Disclosure Project and the Global Impact Investing Network.

Based on responses to the information request and primary and secondary research in fund prospectus documents, annual reports, statements of additional information, press releases, SEC forms ADV and other SEC filings, media reports and other public and private data, the US SIF Foundation and its research partners were able to identify 380 money managers with $28.7 trillion in assets under management. Of these money managers, 300 were found to incorporate ESG criteria into their investment analysis and decision-making processes, affecting $8.10 trillion in assets under management, before double-count controls were implemented.

Because not every US-based money manager was sent an information request and because not all investors responded to the information request, the US SIF Foundation estimates that $8.10 trillion (after double-count controls, described below) is a conservative undercount of the total professionally managed assets subject to ESG criteria in the United States.

In addition, the US SIF Foundation sought to identify US community investing institutions (including US-based microfinance funds with international operations). There is no readily available comprehensive set of data on the assets of all US-domiciled community investing institutions. The US SIF Foundation relied on data collected by the US Department of Treasury's Community Development Financial Institutions Fund and various trade associations to determine the number and assets of community investment institutions as of December 31, 2015. Sources included the following:

- the Department of the Treasury's CDFI Fund, for the assets of community development venture capital funds;
- the CDFI Fund, for the assets of all of the community development banks that are certified as CDFIs;
- the National Federation of Community Development Credit Unions, for the assets of its members (not all of which are certified CDFIs) and other leading community development credit unions; and
- Calvert Foundation, for the assets of US-based international microfinance funds, which channel capital to microfinance institutions and community development projects abroad.

From these combined sources, the US SIF Foundation constructed a total enumeration of 1,043 community investing institutions with total assets under management of $121.6 billion.

From the combined universe of money managers and community investing institutions, the research team identified $8.10 trillion in assets incorporating ESG criteria.

Institutional Investors

To measure institutional investor assets subject to ESG criteria, the US SIF Foundation collected data on various types of institutional asset owners, including corporations, educational institutions, faith-based investors, family offices, philanthropic foundations, hospitals and healthcare plans, labor unions and Taft-Hartley plans, public and government retirement plans and investment pools, nonprofit organizations and other institutional investors.

The information request was circulated to contacts at 1,144 institutional investors. The research team also conducted additional research in publicly available sources including annual reports and financial statements, IRS 990 filings by nonprofit organizations, assets reported by colleges and universities to NACUBO and assets reported by retirement plans to the Department of Labor. Between investor responses to the information request and additional research, this report identified 779 institutional investors with total assets of $8.34 trillion. Of these institutions, 477 were confirmed as incorporating ESG criteria across $4.72 trillion in assets as of December 31, 2015.

Because not every US-based institutional investor was sent an information request and because not all investors responded to the information request, the US SIF Foundation estimates that $4.72 trillion is a conservative undercount of the total institutional assets subject to ESG criteria in the United States.

Shareholder Resolutions and Their Filers

Based on data provided by ICCR, ISS and the Sustainable Investments Institute, along with verified self-reported shareholder filers, the US SIF Foundation identified 225 institutional shareholder proponents who filed or co-filed at least one resolution on an ESG issue since 2014. Foreign investors without any identifiable presence in the United States and individual investors were excluded from research.

The US SIF Foundation and its research partners were able to identify the total assets of the majority of these proponents—176 institutional investors and 49 money managers—at $2.56 trillion as of December 31, 2015. Of these assets, $1.93 trillion were confirmed as also subject to ESG incorporation into investment decision making or analysis, and consequently controlled for the potential effects of double counting prior to aggregation. Because the assets of many of the institutions and money managers could not be identified, $2.56 trillion is a conservative undercount of the total assets controlled by shareholders who have proposed resolutions on ESG issues since 2014.

Total Assets Under Professional Management in the United States

To determine the total assets under professional management in the United States, the US SIF Foundation relied upon data provided by Cerulli Associates, based on the total assets reported by US-based investment managers, plan sponsors, endowments and foundations after controlling for double counting. As of December 31, 2015, Cerulli estimated, $40.3 trillion were under professional management in the United States, up from $36.8 trillion at year-end 2013.

Quality Control, Elimination of Double Counting

To calculate the total universe of US-domiciled assets under management subject to SRI strategies, the US SIF Foundation and its research partners aggregated the assets derived from the various research phases. First, however, rigorous controls were put into place to avoid potential sources of double counting, including the following:

- money managers, community investing institutions or investment advisors that sub-advise other investment vehicles already tracked or that manage assets for institutional clients whose assets are captured in institutional investor research;
- investment advisors that use “funds of funds” or separate account platforms that merely redirect assets into funds already tracked; or
- shareholder resolution proponents that also incorporate ESG criteria into their investments.

Additionally, money managers were asked to report the amount of assets in each investment vehicle belonging to institutional clients, and the amount of assets belonging to retail or high-net-worth individual clients. The reported information was supplemented by research on publicly available information through SEC forms ADV and annual reports.

Previous reports made the conservative assumption that all institutional assets under management by money managers using SRI strategies had already been captured in the data collected from or about institutional investors. For the first time this year, the research identified more institutional assets in our survey of and research on money managers than we did in our survey of and research on institutional investors. We identified over $5.1 trillion in the institutional portion of money managers’ ESG assets under management, but just $4.72 trillion in ESG assets among the institutional investors we directly surveyed and researched. Consequently, this year’s report only removes the $4.72 trillion captured on the institutional investor side, and keeps the remaining institutional assets within the money manager category.

It is important to note that non-retail assets invested in money manager vehicles are only controlled for the purposes of aggregation. Figures referencing institutional or money manager assets separately are not controlled for double-counting in this way, in order to accurately communicate the assets under management by money managers, regardless of their institutional or retail market provenance.

We control for double counting of the assets of “funds of funds.” Counts of these funds of funds, however, remain in the analysis in Chapter II on ESG incorporation by money managers since they still represent an investable product with their own characteristics.

In order to avoid double counting of institutional investor assets held by community investing institutions (CIIs), only 65 percent of community development bank and community development credit union total assets are estimated as individual or “retail” client account assets. These individual assets are consequently counted toward the ESG incorporation subtotal of the aggregate SRI universe. This ratio is an approximation of the CII assets deposited by individuals, who are not otherwise captured through the US SIF Foundation's research methods, based on consultation with experts in the community development finance field. Although some community development loan funds and venture capital funds are accessible to individual "retail" and high-net-worth investors, all community development loan fund and venture capital fund assets are conservatively assumed to be institutional client assets, unless otherwise reported by the funds. As such, these institutional client assets of CIIs are removed from the ESG incorporation subtotal in order to avoid potential double counting of assets across money managers and institutional investors.

To avoid potential double counting of loan fund assets that may have been included within the community investing loan funds provided by third-party CDFI and microfinance loan fund data, all loan funds were excluded from the aggregate analysis.

Extensive verification was conducted for each section of the report, through cross-checking multiple data sources and individually contacting investment managers and investment officers at institutions where appropriate. Particular care was taken to track ESG criteria according only to the assets subject to a particular mandate. Thus, if only a portion of an institutional investor's portfolio is subject to environmental factors, for example, only that portion was credited as such.

Methodology Improvements

The US SIF Foundation has conducted its trends research since 1995. From time to time, the report and its methodology are enhanced. Enhancements in the 2016 report include the following:

- The information request provided an expanded list of criteria for money managers and institutional investors to select to describe their investment activities and strategies, including gender lens investing.
- The information request removed "Sudan" as an ESG criterion and amended "Terrorist or Repressive Regimes" to "Conflict Risk (Terrorist and Repressive Regimes)." Although conflict is still ongoing throughout Sudan, the US SIF Foundation and its research partners decided to absorb "Sudan" into the "Conflict Risk" category for clarity.
- In this year's analysis, "Other Pooled Products" were isolated from vehicles classified as "Other/Not Listed" because they are distinct commingled funds. "Separate Accounts" were similarly removed from tallies of investment vehicles because of the inconsistent ways in which respondents use the term "Separate Accounts," which are not always in alignment with a distinct separately managed account product. Separate Accounts were therefore considered part of "Other/Not Listed" in this year's analysis.

Conservative Bias: Note on Undercounting

Although the US SIF Foundation and its research partners make a best effort at comprehensively tracking the assets engaged in SRI strategies, certain assets are not included in the report's overall aggregate SRI universe for various reasons. This inability to capture certain assets involved in SRI strategies introduces a conservative bias into this report's methodology. Assets that are not captured in the report's aggregate figures include the following examples.

ESG Incorporation

The ESG assets of institutional investors may not be captured if the institution was not included in the information request, if it failed to respond to an information request, or if its assets and incorporation of ESG issues could not be verified through publicly available information.

The assets of any institution or manager that reported that it takes ESG issues into account in its investment decisions but failed to report its assets were excluded, unless publicly available asset data were available.

With ESG information increasingly available to the public and with online brokerages providing ESG model portfolios for retail investors, individuals can now readily incorporate ESG factors into their investment decisions in highly tailored ways. However, investments made directly by individuals are only captured in this report if the individual investors utilized a money manager, investment vehicle or other institution whose assets are included in the report. Additionally, the assets of high-net-worth "angel" investors that make direct private investments—for example, through investor networks fostered by groups such as the Slow Money Alliance—cannot readily be captured through current methods, unless they are made through intermediaries included in the underlying datasets.

Substantial community investment is deployed through entities that are not recognized as community investing institutions as defined above but may be complementary to the industry, such as community development corporations, community development entities, community development municipal bonds, economically targeted investments, low-income housing tax credits, targeted mortgage-backed securities and investments made in accordance with Community Reinvestment Act requirements that were not made through a community investing institution as defined in this report. A small portion of these investments may be captured through institutional investors' assets incorporating community issues. However, these investments are generally not included in the ESG incorporation subtotal of the aggregate SRI universe.

Engagement and Shareholder Advocacy

This report does not include the assets of any individual investors involved in filing shareholder resolutions on ESG issues. It also excludes the assets of money managers or institutions that filed shareholder resolutions if they failed to respond to an information request, and their assets were unavailable through publicly available sources. Also excluded from the subtotal were the assets of any institution or money manager that reported filing shareholder resolutions, but did not sponsor or co-sponsor a resolution since 2014.

In addition, the total of assets involved in SRI in this report only includes the assets of those money managers and institutional investors that filed shareholder resolutions. If investors engaged solely in other shareholder engagement activities like proxy voting, letter-writing or private dialogue, undertaking legal action or public campaigns toward a company, or attempting to influence governmental policy or industry regulation to require companies to improve their ESG impacts through engagement with policymakers or regulatory bodies, or through public opinion, their assets are not included in this total. In 2016, 61 money managers with $6.9 trillion in assets reported in a US SIF information request that they engage in dialogue with portfolio companies in order to improve the companies' ESG practices or disclosure. In addition, 57 institutional investors representing $912 billion in assets reported that they engaged in dialogue with companies in order to improve ESG practices or disclosure, but have not filed shareholder resolutions since 2014. These investors were also not counted among assets of those involved in shareholder advocacy.

In short, there are a number of investors, advisors and institutions involved in sustainable and impact investing strategies that are not readily identifiable for the purposes of this report. The US SIF Foundation continuously strives to enhance its research methods in order to capture these sources of "hidden assets."

Special Note on Time Series

Over time, data collection for the US SIF Foundation's Trends reports has improved, as increased numbers of money managers and institutions have become more willing to disclose their sustainable and responsible investing activities, through our information requests or through other publicly available data sources like the PRI Transparency Reports. Growth in sustainable investment therefore has occurred in many ways, including through net inflows into and the financial performance of existing products, the development of new ESG products, and the adoption of responsible investment strategies by managers and institutions not previously involved in the field. For these reasons, the US SIF Foundation advises against using these data for highly technical time-series analysis.

Because of the reclassification of “Separate Accounts” as “Other/Not Listed,” 2014 historical data have been corrected to reflect this reclassification as well.

VI. About the Publisher

US SIF Foundation is a nonprofit 501(c)(3) organization. Its objective and purpose is to support the activities and purpose of US SIF: The Forum for Sustainable and Responsible Investment Inc., its sole member, by carrying out certain educational, research and programmatic activities.

US SIF: The Forum for Sustainable and Responsible Investment has advanced sustainable, responsible and impact investing for more than 30 years in order to ensure that the capital markets can drive positive social, environmental and governance practices. Its mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. Among the hundreds of US SIF members are investment management and advisory firms, mutual fund companies, research firms, financial planners and advisors, broker-dealers, community investing institutions, nonprofit associations, and pension funds, foundations and other asset owners.

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Members of the media and the public can find many resources from the US SIF Foundation at www.ussif.org. Highlights include the following reports and guides.

- ***The Impact of Sustainable and Responsible Investment*** (2016): This document provides examples of how the sustainable, responsible and impact investment industry has: changed the investment industry and added options for investors; improved companies through active ownership and engagement; aided communities and individuals; and influenced public policy and developed organizations to promote sustainable investment.
- ***Family Offices and Investing for Impact*** (2016): Abundant anecdotal evidence suggests that a growing number of family offices in the United States are exploring ways to invest for impact. This guide explains the reasons behind the upsurge in interest and highlights the investment strategies and sectors of interest that these families are exploring. Included are brief profiles of nine single family offices and multi-family offices that are investing for impact. Drawing on interviews with family offices and other industry professionals, we offer detailed recommendations and resources for family offices to get started in sustainable, responsible and impact investing across different asset classes.
- ***Unlocking ESG Integration*** (2015): The practice of ESG integration by money managers exploded between 2012 and 2014 from $614 billion to $4.74 trillion in US-domiciled assets. This report explores the rapid expansion of ESG integration in recent years and provides detailed profiles of 16 money managers that practice this strategy. We specifically look at investment techniques used, the ESG criteria applied and the asset classes involved. The report offers recommendations for money managers and the SRI industry to advance robust and transparent ESG integration practices.

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Endnotes

Chapter I

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Additional SRI Resources

AFL-CIO Office of Investment
www.aflcio.org/Corporate-Watch

As You Sow
www.asyousow.org/

Association for Enterprise Opportunity
www.microenterpriseworks.org

California Department of Insurance—Climate Risk Survey
https://interactive.web.insurance.ca.gov/apex/f?p=201:1:10755262610242

Carbon Tracker Initiative
www.carbontracker.org

CDP
www.cdp.net

Center for Effective Philanthropy
http://www.effectivephilanthropy.org

Center for the Advancement of Social Enterprise (CASE) at Duke Fuqua School of Business
www.caseatduke.org

Ceres
www.ceres.org

Clean Energy Group
www.cleanegroup.org

Climate Bonds Initiative
www.climatebonds.net

Coalition of Community Development Financial Institutions
www.cdfi.org

Community Development Bankers Association
http://cdbanks.org

Community DevelopmentVenture Capital Alliance (CDVCA)
www.cdvca.org

Confluence Philanthropy
www.confluencephilanthropy.org

Council of Institutional Investors
www.cii.org

Croatan Institute
www.croataninstitute.org

Divest-Invest Initiative
http://divestinvest.org

EIRIS Conflict Risk Network
www.eiris.org/about-us/eiris-conflict-risk-network

Exponent Philanthropy
www.exponentphilanthropy.org

Fossil Free, a 350.org Project
http://gofossilfree.org

FundVotes.com
www.fundvotes.com

Global Impact Investing Network
www.thegiin.org

Global Reporting Initiative
www.globalreporting.org

Global Sustainable Investment Alliance
www.gsi-alliance.org

Green America
www.greenamerica.org

The ImPact
http://theimpact.org

Initiative for Responsible Investment
http://iri.hks.harvard.edu

Interfaith Center on Corporate Responsibility (ICCR)
www.iccr.org

International Corporate Governance Network
www.icgn.org

Investors' Circle
www.investorscircle.net

Investor Environmental Health Network
www.iehn.org

Investor Network on Climate Risk (INCR)
www.incr.com

Investors against Genocide
www.investorsagainstgenocide.org

Mission Investors Exchange
www.missioninvestors.org

National Community Investment Fund
www.ncif.org

National Federation of Community Development Credit Unions
www.cdcu.coop

Opportunity Finance Network
www.opportunityfinance.net

Principles for Responsible Investment
www.unpri.org

Program on Corporate Governance Harvard Law School
www.law.harvard.edu/programs/corp_gov

ProxyDemocracy
www.proxydemocracy.org

Responsible Endowments Coalition
www.endowmentethics.org

Robert F. Kennedy Center for Justice and Human Rights—Compass Program
http://rfkcenter.org/what-we-do/rfk-compass

Slow Money Alliance
www.slowmoney.org

SJF Institute
www.sjfinstitute.org

Social Finance
www.socialfinanceus.org

Social Funds
www.socialfunds.com

SRI Connect
www.sri-connect.com

Sustainable Investments Institute
www.siinstitute.org

Toniic
www.toniic.com

Transform Finance Investor Network
http://transformfinance.org

US SIF Foundation
www.ussif.org

Sustainable Endowments Institute
www.endowmentinstitute.org

Thirty Percent Coalition
www.30percentcoalition.org

United Nations Environment Programme Finance Initiative
www.unepfi.org

World Resources Institute
www.wri.org/project/envest

Appendix 1

Glossary of Environmental, Social and Governance (ESG) Criteria

Money managers and institutional investors engaging in ESG incorporation consider various community, environmental, social, corporate governance and product-related factors in investment analysis, decision making and portfolio construction. Here is a list of the criteria provided in the 2016 US SIF Foundation survey.

Community Criteria

- **AFFORDABLE HOUSING:** focus on provision, development and/or rehabilitation of housing for low- and moderate-income people.
- **COMMUNITY RELATIONS/PHILANTHROPY:** consideration of companies' corporate giving and community relations.
- **COMMUNITY SERVICES:** focus on provision of services for low- and moderate-income communities, including childcare, education and healthcare.
- **FAIR CONSUMER LENDING:** focus on access to responsible financial services for underserved people.
- **MICROENTERPRISE:** focus on access to credit for domestic and international microbusinesses in underserved communities.
- **PLACE-BASED INVESTING:** investments targeting a defined geographic area both for financial returns and to general social or environmental benefits.
- **SMALL & MEDIUM BUSINESSES:** focus on access to credit for small and medium businesses in domestic and international underserved markets, as well as social enterprises.
- **OTHER COMMUNITY:** focus on community issues outside of affordable housing, community relations/ philanthropy, community services, fair consumer lending, microenterprise, place-based investing, and small and medium businesses.

Environmental Criteria

- **CLEAN TECHNOLOGY:** focus on businesses dedicated to environmentally sustainable technologies or efficient use of natural resources.
- **CLIMATE CHANGE/CARBON:** focus on risk and opportunities related to climate change and greenhouse gas emissions.
- **FOSSIL FUEL DIVESTMENT:** exclusion or partial exclusion of companies engaged in the extraction or production of coal, natural gas and oil.
- **GREEN BUILDING/SMART GROWTH:** focus on real estate that meets energy efficiency or green building standards and/or smart growth principles including urban infill, transit-oriented development and preservation of open space.
- **POLLUTION/TOXICS:** consideration of toxicity of products and operations and/or pollution management and mitigation, including recycling, waste management and water purification.
- **SUSTAINABLE NATURAL RESOURCES/AGRICULTURE:** focus on sustainable agriculture and food products as well as sustainably managed natural resources, including timber and water.
- **OTHER ENVIRONMENTAL:** focus on environmental issues outside of clean technology, climate change/ carbon, fossil fuel divestment, green building/smart growth, pollution/toxics, and sustainable natural resources/agriculture.
- **GENERAL ENVIRONMENTAL:** consideration of unspecified environmental factors.

Social Criteria

- **CONFLICT RISK (TERRORIST OR REPRESSIVE REGIMES):** Exclusion or partial exclusion of companies that conduct business in countries identified as repressive regimes or state sponsors of terrorism.
- **EEO/DIVERSITY:** consideration of diversity and equal employment opportunity policies and practices relating to employees, company ownership or contractors.

- **GENDER-LENS:** focus on investment products or companies that actively support women's socioeconomic advancement.
- **HUMAN RIGHTS:** consideration of risks associated with human rights and of companies' respect for human rights within their internal operations and the countries in which they do business.
- **LABOR:** consideration of companies' labor or employee relations programs, employee involvement, health and safety, employment and retirement benefits, union relations or workforce reductions.
- **PRISON-RELATED ISSUES:** consideration of risks associated with for-profit prison companies, providing services to prisoners at predatory pricing, or refusing to hire ex-prisoners.
- **OTHER SOCIAL:** focus on social issues outside of conflict risk (terrorist or repressive regimes), EEO/diversity, gender lens, human rights, labor and prison-related issues.
- **GENERAL SOCIAL:** consideration of unspecified social factors.

Governance Criteria

- **BOARD ISSUES:** consideration of the directors' independence, diversity, pay and responsiveness to shareholders.
- **EXECUTIVE PAY:** consideration of companies' executive pay practices, especially whether pay policies are reasonable and aligned with shareholders' or other stakeholders' long-term interests.
- **POLITICAL CONTRIBUTIONS:** consideration of companies' management and disclosure of corporate political spending or lobbying activities, and of risks associated with corporate political activities.
- **TRANSPARENCY AND ANTI-CORRUPTION:** consideration of companies' policies to prevent bribery, racketeering and other corrupt practices.
- **OTHER GOVERNANCE:** focus on governance issues outside of board issues, executive pay, political contributions, and transparency and anti-corruption.
- **GENERAL GOVERNANCE:** consideration of unspecified corporate governance factors.

Product and Industry Criteria

- **ALCOHOL:** exclusion or partial exclusion of companies involved in the production, licensing and/or retailing of alcohol products, or in the manufacturing of products necessary for production of alcoholic beverages.
- **ANIMAL TESTING/WELFARE:** consideration of companies' policies and practices toward animals in consumer product testing, where such testing is not legally required, particularly where such tests inflict pain or suffering on the test animals, and on the treatment of animals raised or used for food and other goods and services.
- **FAITH-BASED:** criteria based on specifically religious grounds, generally in reference to the principles of Christian, Jewish or Islamic faiths.
- **MILITARY/WEAPONS:** exclusion or partial exclusion of companies that derive a significant portion of their revenues from the manufacture of weapons as defense contractors or from the manufacture or retailing of firearms or ammunition for civilian use.
- **GAMBLING:** exclusion or partial exclusion of companies involved in licensing, manufacturing, owning or operating gambling interests.
- **NUCLEAR:** exclusion or partial exclusion of companies involved in nuclear power production.
- **PORNOGRAPHY:** exclusion or partial exclusion of companies that derive a significant portion of revenues from the production or distribution of adult entertainment products, owning or operating adult entertainment establishments, or providing adult entertainment programming through cable or pay-per-view services.
- **PRODUCT SAFETY:** consideration of products' safety and impact on consumers' psychological or physical health.
- **TOBACCO:** exclusion or partial exclusion of companies involved in the production, licensing, and/or retailing of tobacco products, or in the manufacturing of products necessary for production of tobacco products.
- **OTHER PRODUCTS:** focus on product or industry outside of alcohol, animal testing/welfare, faith-based, military/weapons, gambling, nuclear, pornography, product safety and tobacco.

Appendix 2

Mutual and Exchange-Traded Funds Incorporating ESG Criteria

(Assets in $ Millions)

Mutual Funds	
1919 Investment Counsel	
1919 Socially Responsive Balanced Fund	$123.5
Accrued Equities	
New Alternatives Fund	$175.0
AFL-CIO Housing Investment Trust	
Housing Investment Trust	$5,455.3
Allianz Global Investors	
Allianz RCM Global Water Fund	$368.3
Allianz GI Global Sustainability Fund	$3.0
Allied Asset Advisors	
Iman Fund	$70.9
Ariel Investments	
Ariel Appreciation Fund	$1,777.9
Ariel Focus Fund	$43.1
Ariel Fund	$2,086.0
Aspiration	
Aspiration Redwood Fund	$1.6
Azzad Asset Management	
Azzad Ethical Fund	$66.6
Azzad Wise Capital Fund	$92.0
BlackRock	
Blackrock Impact US Equity Fund	$20.0
Boston Trust & Investment Management Company, Walden Asset Management	
Walden Equity Fund	$147.0
Walden Midcap Fund	$34.0
Walden Small Cap Innovations Fund	$65.0
Walden SMID Cap Innovations Fund	$28.0
Walden International Equity Fund	$9.5
Bridgeway Capital Management	
Bridgeway Aggressive Investors 1 Fund	$214.9
Bridgeway Blue-Chip 35 Index Fund	$571.3
Bridgeway Omni Small-Cap Value Fund	$476.0
Bridgeway Small Cap Growth Fund	$36.0
Bridgeway Small Cap Momentum Fund	$4.0
Bridgeway Small Cap Value Fund	$61.0
Bridgeway Ultra Small Company Fund	$108.0
Bridgeway Ultra Small Company Market Fund	$346.0
Managed Volatility Fund	$57.0
Omni Tax-Managed Small-Cap Value Fund	$432.0
Brown Advisory	
Brown Advisory Sustainable Growth Fund	$309.1
Calvert Investments	
Calvert Aggressive Allocation Fund	$115.8
Calvert Balanced Portfolio	$653.4
Calvert Bond Portfolio	$800.7
Calvert Capital Accumulation Fund	$481.0
Calvert Conservative Allocation Fund	$150.5
Calvert Developed Markets Ex-US Index	$5.1
Calvert Emerging Markets Equity	$75.8
Calvert Equity Portfolio	$2,166.4
Calvert Global Energy Solutions Fund	$98.7
Calvert Global Equity Income	$38.0
Calvert Global Large Cap Value	$119.0
Calvert Global Water Fund	$426.4
Calvert Green Bond Fund	$59.7
Calvert High Yield Bond	$133.9
Calvert Income Fund	$623.8
Calvert International Equity Fund	$340.4
Calvert International Opportunities Fund	$186.9
Calvert Large Cap Core Portfolio	$100.5
Calvert Long Term Income	$75.1
Calvert Moderate Allocation Fund	$238.6
Calvert Short Duration Income	$1,409.1
Calvert Small Cap Fund	$256.2
Calvert Tax-Free Responsible Impact	$142.8
Calvert Ultra Short Income	$722.7
Calvert Unconstrained Bond	$56.6
Calvert US Large Cap Core Responsible Index	$634.9
Calvert US Large Cap Growth Responsible Index	$42.0
Calvert US Large Cap Value Responsible Index	$67.4
Calvert US Mid Cap Core Responsible Index	$5.2
Capital Group	
American Funds American Mutual Fund	$33,755.9
American Funds Washington Mutual Investors Fund	$72,769.5
American Funds Mutual Funds (Other)	$1,119,344.3
Capstone Asset Management (CAMCO, a subsidiary of Capstone Financial Services)	
Steward Global Equity Income Fund	$166.4
Steward International Enhanced Index Fund	$115.3
Steward Large Cap Enhanced Index Fund	$374.8
Steward Select Bond Fund	$148.5
Steward Small Mid-Cap Enhanced Index Fund	$147.1
ClearBridge Investments	
Sustainability Leaders	$6.0
Columbia Management Investment	
US Social Bond Fund	$20.0
Community Capital Management	
CCM Alternative Income Fund	$30.0
CRA Qualified Investment Fund	$1,850.0
Dimensional Fund Advisors	
DFA Emerging Markets Social Core Equity Portfolio	$943.2
DFA International Sustainability Core 1 Portfolio	$390.8
DFA International Value ex Tobacco	$66.0
DFA US Social Core Equity 2 Portfolio	$582.5
DFA US Sustainability Core 1 Portfolio	$548.2
International Social Core Equity Portfolio	$430.1

Domini Social Investments	
Domini International Social Equity Fund	$499.7
Domini Social Bond Fund	$126.6
Domini Social Equity Fund	$933.4
Dreyfus Corporation (BNY Mellon Cash Investment Strategies)	
Dreyfus Third Century Fund	$311.3
Eventide Asset Management	
Eventide Gilead Fund	$1,572.0
Eventide Healthcare & Life Sciences Fund	$299.0
Eventide Multi-Asset Income Fund	$18.0
Everence Financial	
Praxis Genesis Balanced Portfolio	$59.1
Praxis Genesis Conservative Portfolio	$19.6
Praxis Genesis Growth Portfolio	$49.2
Praxis Growth Index Fund	$186.7
Praxis Intermediate Income Fund	$433.4
Praxis International Index Fund	$170.6
Praxis Small Cap Fund	$46.2
Praxis Value Index Fund	$131.2
Fidelity Investments	
Select Environment and Alternative Energy	$77.0
Fidelity Management & Research Company	
Fidelity Select Environmental and Alternative Energy Portfolio	$73.2
Firsthand Capital Management	
Firsthand Alternative Energy Fund	$7.3
Fred Alger Management	
Alger Green Fund	$83.0
GAMCO Investors (Gabelli Asset Management Company)	
Gabelli SRI Fund	$69.3
Glenmede Investment and Wealth Management	
Glenmede Responsible ESG	$1.0
Glenmede Women in Leadership	$1.0
Green Century Capital Management	
Green Century Balanced Fund	$179.1
Green Century Equity Fund	$147.3
GuideStone Capital Management	
Aggressive Allocation Fund	$966.3
Balanced Allocation Fund	$1,524.2
Conservative Allocation Fund	$365.9
Defensive Market Strategies Fund	$610.6
Emerging Markets Equity Fund	$297.8
Equity Index Fund	$608.6
Extended-Duration Bond Fund	$255.8
Flexible Income Fund	$141.4
Global Bond Fund	$390.0
Global Natural Resources Equity Fund	$182.7
Growth Allocation Fund	$1,114.9
Growth Equity Fund	$1,415.6
Inflation Protected Bond	$301.8
International Equity Fund	$1,276.7
Low-Duration Bond Fund	$860.0
Medium-Duration Bond Fund	$894.6
Money Market Fund	$1,287.3
MyDestination 2005 Fund	$96.1
MyDestination 2015 Fund	$479.5
MyDestination 2025 Fund	$708.8
MyDestination 2035 Fund	$391.3
MyDestination 2045 Fund	$281.7
MyDestination 2055 Fund	$38.5
Real Assets Fund	$33.0
Real Estate Securities Fund	$258.6
Small Cap Equity Fund	$501.8
Value Equity Fund	$1,241.6
International Equity Index	$111.0
Guinness Atkinson Asset Management	
Guinness Atkinson Alternative Energy Fund	$13.6
Integrity Funds Distributor	
Integrity Growth and Income Fund	$35.9
Invesco PowerShares Capital Management	
Invesco Summit Fund	$1,866.5
Krull & Company	
All Mutual Funds	$34.0
Luther King Capital Management Corporation	
LKCM Aquinas Growth Fund	$26.3
LKCM Aquinas Small-Cap Fund	$6.4
LKCM Aquinas Value Fund	$44.9
Macroclimate	
Dimensional International Sustainability Core Equity Portfolio	$1.0
Dimensional US Sustainability Core Equity Portfolio	$1.0
Meeder Asset Management (MAM)	
Utilities and Infrastructure Fund	$20.1
Miller/Howard Investments	
Destra High Dividend Strategy Fund	$50.6
Touchstone Premium Yield Equity Fund	$143.0
Utilities & Infrastructure Fund	$20.1
Neuberger Berman	
Emerging Markets Debt	$156.0
NB Socially Responsive Fund	$2,249.0
Northern Trust Global Investments	
Global Sustainability Index Fund	$234.0
Pacific Investment Management (PIMCO)	
PIMCO Low Duration III	$194.7
PIMCO Total Return III	$1,056.1
Parnassus Investments	
Parnassus Asia Fund	$10.3
Parnassus Core Equity Fund	$11,922.4
Parnassus Endeavor Fund	$1,372.6
Parnassus Fixed-Income Fund	$189.8
Parnassus Mid-Cap Fund	$554.7
Parnassus Fund	$754.8
Pax World Management	
ESG Managers Balanced Portfolio	$30.8
ESG Managers Growth and Income Portfolio	$20.3
ESG Managers Growth Portfolio	$17.0
ESG Managers Income Portfolio	$11.1
Pax World Balanced Fund	$1,859.4
Pax World Global Environmental Markets Fund	$254.3
Pax World Growth Fund	$204.9

Pax World High Yield Bond Fund	$411.1
Pax World Small Cap Fund	$508.9
Pax MSCI International ESG Index Fund	$393.4
Pax World Global Women's Index Fund	$85.3
Pekin Singer Strauss Asset Management	
Appleseed Fund	$185.5
Pioneer Investment Management	
Pioneer Equity Income Fund	$1,472.6
Pioneer Fund	$4,742.1
RBC Global Asset Management	
Access Capital Community Investment Fund A	$530.0
Saturna Capital	
Amana Developing World Fund	$23.7
Amana Growth Fund	$1,791.4
Amana Income Fund	$1,288.4
Amana Participation Fund	$11.8
Saturna Global Sustainable Fund	$3.4
Saturna Sustainable Bond Fund	$7.0
Schroders	
Emerging Market Equity Fund	$1,195.5
Schroders International Alpha Fund	$155.1
Schwartz Investment Council	
Ave Maria Catholic Bond Fund	$223.8
Ave Maria Catholic Growth Fund	$300.1
Ave Maria Catholic Rising Dividend Fund	$750.9
Ave Maria Catholic Values Fund	$211.9
Ave Maria World Equity Fund	$41.2
SEI Investments Management Corporation (SIMC)	
New Covenant Balanced Growth Fund	$284.0
New Covenant Balanced Income Fund	$78.0
New Covenant Growth Fund	$396.8
New Covenant Income Fund	$296.2
Screened World Equity Ex-U.S. Fund	$0.0
Sentinel Investments	
Sentinel Sustainable Core Opportunities Fund	$233.2
Sentinel Sustainable Mid Cap Opportunities Fund	$122.1
Shelton Capital Management	
Green Alpha Fund	$29.6
SKBA Capital Management	
Baywood Socially Responsible Fund	$261.4
T. Rowe Price	
All Mutual Funds	$606,570.4
TIAA Investments	
T-C Social Choice Bond Fund	$589.1
T-C Social Choice Equity Fund	$2,602.4
T-C Social Choice International Equity Fund	$19.7
T-C Social Choice Low Carbon Equity Fund	$41.0
Timothy Partners	
Emerging Markets	$6.9
Israel Common Values Fund	$17.5
Timothy Plan Aggressive Growth Fund	$23.9
Timothy Plan Conservative Growth Fund	$55.3
Timothy Plan Defensive Strategies Fund	$82.2
Timothy Plan Fixed Income Fund	$86.9
Timothy Plan High Yield Bond Fund	$45.1
Timothy Plan International Fund	$76.8
Timothy Plan Large/Mid Cap Growth Fund	$61.8
Timothy Plan Large/Mid Cap Value Fund	$173.1
Timothy Plan Small Cap Value Fund	$91.7
Timothy Plan Strategic Growth Fund	$41.1
Touchstone Investments	
Touchstone Premium Yield Equity Fund	$143.0
Touchstone Sustainability and Impact Equity Fund	$289.6
Towle & Company	
Towle Deep Value Fund	$59.1
Trillium Asset Management	
Global Equity	$424.5
Trinity Fiduciary Partners	
Epiphany FFV Fund	$29.3
Epiphany FFV Latin America Fund	$3.0
Epiphany FFV Strategic Income Fund	$23.3
USAA Asset Management Company	
USAA First Start Growth Fund	$357.0
Vanguard	
Vanguard FTSE Social Index Fund	$2,038.0
Viking Fund Management	
Integrity Growth & Income Fund	$35.9
Wells Fargo Funds Management	
Large Cap Core Fund	$891.1

Variable Annuity Funds

1919 Investment Counsel (part of Stifel Trust)	
1919 Variable Socially Responsive Balanced Fund	$40.3
AXA Equitable Life Insurance Company	
EQ Advisors Trust EQ/Calvert Socially Responsible Portfolio	$131.2
Calvert Investments	
Calvert VP SRI Balanced Portfolio	$324.1
Calvert VP SRI Large Cap Value Portfolio	$79.0
Calvert VP SRI Mid Cap Core Portfolio	$49.3
Dreyfus Corporation (BNY Mellon Cash Investment Strategies)	
Dreyfus Socially Responsible Growth Fund	$237.4
Lincoln National	
LVIP Delaware Social Awareness Fund	$720.6
Neuberger Berman	
NB AMT Socially Responsible Portfolio	$383.0
Pioneer Investment Management	
Pioneer Equity Income VCT Portfolio	$269.9
Pioneer Fund VCT Portfolio	$143.2
TIAA Investments	
CREF Social Choice Account	$13,357.8
T-C Life Funds-Social Choice Equity	$47.5
Timothy Partners	
Timothy Plan Conservative Growth Variable	$25.9
Timothy Plan Strategic Growth Variable	$24.5
Variable Annuity Life Insurance Company (VALIC)	
VALIC Company I Global Social Awareness Fund	$423.2
VALIC Company II Socially Responsible Fund	$726.5

Exchange Traded Funds

1919 Investment Counsel (part of Stifel Trust)

1919 Variable Socially Responsive Balanced Fund $40.3

AdvisorShares Investments

Global Echo ETF $7.5

ALPS Advisors

Workplace Equality Portfolio ETF $9.3

AXA Equitable Life Insurance Company

EQ Advisors Trust EQ/Calvert Socially Responsible Portfolio $131.2

BlackRock

iShares Global Clean Energy ETF $81.2

iShares MSCI KLD 400 Social Index Fund $504.0

iShares MSCI ACWI Low Carbon Target $216.0

iShares MSCI USA ESG Select Social SM Index Fund $353.8

Calvert Investments

Calvert VP SRI Balanced Portfolio $324.1

Calvert VP SRI Large Cap Value Portfolio $79.0

Calvert VP SRI Mid Cap Core Portfolio $49.3

Dreyfus Corporation (BNY Mellon Cash Investment Strategies)

Dreyfus Socially Responsible Growth Fund $237.4

First Trust Advisors

First Trust ISE Global Wind Energy Index Fund $43.8

First Trust NASDAQ Clean Edge Green Energy Index Fund $64.7

First Trust NASDAQ Clean Edge Smart Grid Infrastructure Index Fund $11.4

First Trust ISE Water Index Fund $103.5

Global X Management Company

Global X YieldCo Index ETF $3.8

Guggenheim Funds Investment Advisors

Guggenheim Solar ETF $237.0

Guggenheim S&P Global Water Index ETF $350.6

Huntington Asset Advisors

Huntington EcoLogical Strategy ETF $7.1

Invesco PowerShares Capital Management

PowerShares Cleantech Portfolio $73.4

PowerShares Global Clean Energy Portfolio $66.8

PowerShares Global Water Portfolio $241.8

PowerShares Water Resources Portfolio $705.1

PowerShares WilderHill Clean Energy Portfolio $108.8

PowerShares Wilderhill Progressive Energy Portfolio $24.8

Lincoln National

LVIP Delaware Social Awareness Fund $720.6

Neuberger Berman

NB AMT Socially Responsible Portfolio $383.0

Pioneer Investment Management

Pioneer Equity Income VCT Portfolio $269.9

Pioneer Fund VCT Portfolio $143.2

State Street Global Advisors (SSGA)

SPDR MSCI ACWI Low Carbon Target $84.7

SPDR S&P 500 Fossil Fuel Free ETF $59.1

TIAA Investments

CREF Social Choice Account $13,357.8

T-C Life Funds-Social Choice Equity $47.5

Timothy Partners

Timothy Plan Conservative Growth Variable $25.9

Timothy Plan Strategic Growth Variable $24.5

Van Eck Associates Corporation

Environmental Services ETF $15.6

Market Vectors Solar Energy ETF $18.5

Van Eck Vectors Global Alternative Energy ETF $91.9

Variable Annuity Life Insurance Company (VALIC)

VALIC Company I Global Social Awareness Fund $423.2

VALIC Company II Socially Responsible Fund $726.5

Appendix 3

Community Investing Institutions

Community Development Banks

ABC Bank
Albina Community Bank
American Metro Bank
American Plus Bank
Amory Federal Savings and Loan Association
Bank 2
Bank of Anguilla
Bank of Cherokee County
Bank of Commerce
Bank of Kilmichael
Bank of Lake Village
Bank of Montgomery
Bank of Okolona
Bank of Winona
Bank of Vernon
Bank of York
BankFirst Financial Services
BankPlus
Beneficial State Bank
BNA Bank
Broadway Federal Bank
Caldwell Bank & Trust Company
Carver Federal Savings Bank
Carver State Bank
Central Bank of Kansas City
Citizens Bank
Citizens Bank
Citizens Bank of Weir
Citizens National Bank of Meridian
Citizens Progressive Bank
Citizens Savings Bank and Trust Company
Citizens Trust Bank
City First Bank of DC
City National Bank of New Jersey
Commercial Bank of Kemper County, DeKalb Mississippi
Commercial Capital Bank
Commonwealth National Bank
Community Bank of the Bay
Community Capital Bank of Virginia
Community Commerce Bank
Concordia Bank and Trust
Cottonport Bank
Cross Keys Bank
Delta Bank
Farmers & Merchants Bank
The First, A National Banking Association
First American International Bank
First American National Bank
First Bank of Linden
First Choice Bank
First Community Bank
First Eagle Bank
First Independence Bank
First Security Bank
First Southwest Bank
First State Bank
Florida Parishes Bank
FNB of Central Alabama
FNB Oxford Bank
Fordyce Bank & Trust Company
Gateway Bank Federal Savings Bank
Golden Bank
Guaranty Bank & Trust
Harbor Bank of Maryland
Holmes County Bank and Trust Company
Homeland Federal Savings Bank
Illinois Service Federal Savings and Loan Association
Industrial Bank
International Bank of Chicago
Jefferson Bank
Liberty Bank and Trust Company
Magnolia State Bank
Mechanics and Farmers Bank
Mechanics Bank
Merchants & Farmers Bank
Merchants & Marine Bank
Merchants & Planters Bank
Metro Bank
Mission National Bank
Mission Valley Bank
Mitchell Bank
Native American Bank
Neighborhood National Bank
Noah Bank
North Milwaukee State Bank
Northern Hancock Bank & Trust
OneUnited Bank
Oxford University Bank
Pacific Global Bank
Pan American Bank
Pan American Bank
Peoples Bank
Pike National Bank
Planters Bank and Trust Company
Priority One Bank
ProAmerica Bank
Quontic Bank
Richland State Bank
Richton Bank and Trust Company
RiverHills Bank
Savoy Bank
Seaway Bank & Trust Company
Security Federal Bank
Security State Bank of Wewoka, Oklahoma
South Carolina Community Bank
Southern Bancorp Bank
Spring Bank
Start Community Bank
State Bank & Trust Company
Sunrise Banks
Sycamore Bank
Tri-State Bank of Memphis
United Bank
United Bank of Philadelphia
United Mississippi Bank
Urban Partnership Bank
West Alabama Bank & Trust

Community Development Credit Unions

1st Bergen Federal Credit Union
1st Choice Credit Union
1st Financial Federal Credit Union
1st Mississippi Federal Credit Union
Alabama Credit Union
Alabama Teachers Credit Union
Alliance Credit Union
Alpena Community Credit Union
Alternatives Federal Credit Union
ANECA Federal Credit Union
AP Federal Credit Union
Appalachian Community Federal Credit Union
Arsenal Credit Union
Ascentra Credit Union
ASI Federal Credit Union
Assemblies of God Credit Union
Associated Credit Union of Texas
Atchison Village Credit Union
Athol Credit Union
Baptist Health South Florida Federal Credit Union
Bay Federal Credit Union
Big Island Federal Credit Union
Border Federal Credit Union
Bradley Initiative Credit Union
Brewery Credit Union
Bridgeway Federal Credit Union
Brooklyn Cooperative Federal Credit Union
Buffalo Cooperative Federal Credit Union
CALCOE Federal Credit Union
Cape Regional Credit Union
Caprock Federal Crediit Union
Carolina Foothills Federal Credit Union
Carter Federal Credit Union
Cascade Community Federal Credit Union
Cascade Forest Products Credit Union
CASE Credit Union
Centric Federal Credit Union
Century Credit Union
Chadron Federal Credit Union
Choctaw Federal Credit Union
Citizens Choice Federal Credit Union
Citizens Community Credit Union
Coastal Community Federal Credit Union
Commodore Perry Federal Credit Union
Community Choice Credit Union
Community Credit Union of Southern Humboldt
Community First Guam Federal Credit Union
Community Plus Federal Credit Union
Community Promise Federal Credit Union
Community South Credit Union
Community Trust Federal Credit Union
CommunityWorks Federal Credit Union
Cook Area Credit Union
CORE Credit Union
Coshocton Federal Credit Union
CoVantage Credit Union

Credit Union ONE
CTA C&M Federal Credit Union No 16473
CU Community Credit Union
Cutting Edge Federal Credit Union
Dakota Plains Federal Credit Union
Darden Employees Federal Credit Union
Demopolis Federal Credit Union
Desert Valleys Federal Credit Union
District Government Employees Federal Credit Union
DuPont Community Credit Union
Eagle One Federal Credit Union
East End Food Coop Federal Credit Union
East River Development Alliance Federal Credit Union
Educational Community Credit Union
Electro Savings Credit Union
Entertainment Industries Federal Credit Union
Envision Credit Union
Episcopal Community Federal Credit Union
Equishare Credit Union
Essential Federal Credit Union
Everyone's Federal Credit Union
Express Credit Union
Fairfax County Federal Credit Union
Faith Community United Credit Union
Ferguson Federal Credit Union
Fidelis Federal Credit Union
First American Credit Union
First Central Credit Union
First Financial Credit Union
First Kingsport Credit Union
First Legacy Community Credit Union
First Light Federal Credit Union
First Unity Federal Credit Union
Five Star Credit Union
Flag Credit Union
Fleur-de-Lis Federal Credit Union
Florida Credit Union
FM Financial Credit Union
Focus Federal Credit Union
Fox Valley Credit Union
Frankenmuth Credit Union
Freedom First Federal Credit Union
GECredit Union
Genesee Co-Op Federal Credit Union
Georgia Coastal Federal Credit Union
Government Printing Office Federal Credit Union
Greater Abbeville Federal Credit Union
Greater Kinston Credit Union
Greenville Heritage Federal Credit Union
Greylock Federal Credit Union
GTE Federal Credit Union
Guadalupe Credit Union
Gulf Coast Community Federal Credit Union
Halifax County Community Federal Credit Union
Hawaii Federal Credit Union
Hawaii First Federal Credit Union
Health Facilities Federal Credit Union
Heart of Louisiana Federal Credit Union
Hermantown Federal Credit Union
High Plains Federal Credit Union
Holy Rosary Credit Union
Hope Federal Credit Union
Horizon Credit Union
Houston Metropolitan Federal Credit Union
IH Mississippi Valley Credit Union
Iberville Federal Credit Union
Independent Employers Federal Credit Union
Industrial Credit Union of Whatcom County
Innovations Federal Credit Union
Israel Methcomm Federal Credit Union
Jefferson Financial Credit Union
JetStream Federal Credit Union
Joplin Metro Credit Union
KC Terminal Employees/ Guadalupe Center Federal Credit Union
Kerr County Federal Credit Union
Kingsville Community Federal Credit Union
Lakota Federal Credit Union
Latah Federal Credit Union
Latino Community Credit Union
LES Federal Credit Union
Lexington Ave Federal Credit Union
Local Government Federal Credit Union
Louisiana Central Credit Union
Louisiana Federal Credit Union
Love Gospel Assembly Federal Credit Union
Lower East Side People's Federal Credit Union
Lower Valley Credit Union
MAC Federal Credit Union
Magnify Credit Union
Magnolia Federal Credit Union
Manatee Community Federal Credit Union
Marion and Polk Schools Credit Union
MariSol Federal Credit Union
McCone County Federal Credit Union
MECU of Baltimore
Members First Credit Union
Members Exchange Credit Union
Mendo Lake Credit Union
Mercy Credit Union
Metro Credit Union
Mid Missouri Credit Union
Mid Oregon Federal Credit Union
Missoula Federal Credit Union
Missouri Central Credit Union
Molokai Community Federal Credit Union
Monroe Telco Federal Credit Union
Mountain West Federal Credit Union
Mt. Zion Federal Credit Union
MUNA Federal Credit Union
My Choice Federal Credit Union
NATCO Credit Union
Neighborhood Trust Federal Credit Union
New Community Federal Credit Union
New Orleans Firemen's Federal Credit Union
New York University Federal Credit Union
Newrizons Federal Credit Union
NorState Federal Credit Union
North Coast Credit Union
North Coast Credit Union
North Jersey Federal Credit Union
North Side Community Federal Credit Union
Northeast Community Federal Credit Union
Northeast Regional Credit Union
Northern Lights Credit Union
Northern New Mexico School Employees Federal Credit Union
NRS Community Development Federal Credit Uniion
Nueva Esperanza Community Credit Union
OMNI Community Credit Union
One Detroit Credit Union
One Source Federal Credit Union
Opportunities Credit Union
Orion Federal Credit Union
Ozark Federal Credit Union
Pacific Crest Federal Credit Union
Pacoima Development Federal Credit Union
Park Manor Christian Church Credit Union
Parkview Community Federal Credit Union
Pelican State Credit Union
Peninsula Community Federal Credit Union
Phenix Pride Federal Credit Union
Point West Credit Union
Prince Kuhio Federal Credit Union
Promise Credit Union
Provo Postal Credit Union
Public Service Credit Union
Pyramid Federal Credit Union
Queens Cluster Federal Credit Union
Queens Federal Credit Union
Red River Mill Employees Federal Credit Union
Regional Federal Credit Union
Renaissance Community Development Credit Union
Rio Grande Credit Union
River City Federal Credit Union
River Region Credit Union
Riverways Federal Credit Union
Royal Credit Union
S C Telco FCU
SAFE Federal Credit Union
Santa Cruz Community Credit Union
SCE Federal Credit Union
Seasons Federal Credit Union
Security Plus Federal Credit Union
SELCO Community Credit Union
Select Federal Credit Union
Self-Help Credit Union
Self-Help Federal Credit Union
Sentinel Federal Credit Union
Settlers Federal Credit Union
Shore to Shore Community Federal Credit Union
Shreveport Federal Credit Union
Singing River Federal Credit Union
South Central Missouri Credit Union
South Side Community Federal Credit Union
Southern Chautauqua Federal Credit Union
Southwest 66 Credit Union
St Luke's Credit Union
St. Louis Community Credit Union
Sterling United Federal Credit Union
Straits Area Federal Credit Union
Suncoast Credit Union
Sussex County FCU
Syracuse Cooperative Federal Credit Union
Tampa Bay Federal Credit Union
Thurston Union of Low-Income People (TULIP) Cooperative Credit Union
TMH Federal Credit Union
Toledo Urban Federal Credit Union
Tongass Federal Credit Union

Total Community Action Federal Credit Union
Trailhead Federal Credit Union
Travis Credit Union
Trust Federal Credit Union
Tulane-Loyola Federal Credit Union
Tuscaloosa Credit Union
Unified Homeowners' of Illinois Federal Credit Union
Union Baptist Church Federal Credit Union
Unite Burlington Credit Union
United Consumers Credit Union
United Credit Union
United Federal Credit Union
University of Louisiana Federal Credit Union
UNO Federal Credit Union
US Community Credit Union
Veridian Credit Union
Virginia Credit Union
Virginia State University Federal Credit Union
Vision Financial Federal Credit Union
West Oahu Community Federal Credit Union
White Earth Reservation Federal Credit Union
Wolf Point Federal Credit Union

Depository Institution Holding Companies

Albina Community Bancorp
American Bancorp of Illinois
American Metro Bankcorp
Bancorp of Okolona
BancPlus Corporation
BankFirst Capital Corporation
Beneficial State Bancorp
BSJ Bancshares
Caldwell Holding Company
Capital Bancorp
Carver Financial Corporation
Central Bancshares Of Kansas City
Central Louisiana Capital Corporation
CFBanc Corporation
CheckSpring Community Corporation
Chickasaw Banc Holding Company
Citizens Bancshares Corporation
Citizens National Banc Corporation
City First Enterprises
City National Bancshares Corporation
CNB Bancorp
Colfax Banking Company
Commerce Bancorp
Commercial Capital Corp
Community Bancshares of Mississippi
Concordia Capital Corporation
First Bancshares
First Eagle Bancshares
First SouthWest Bancorporation
First Vernon Bancshares
Greater Chicago Financial
Guaranty Capital Corporation
Harbor Bankshares Corporation
Holmes County Capital Corporation
Homeland Bancshares
IBC Bancorp
Kilmichael Bancorp
Lafayette Bancorp
Liberty Financial Services
Louisville Development Bancorp
M&F Bancorp
Magnolia State Corporation
Merchants & Marine Bancorp
MIssion Valley Bancorp
Mitchell Bank Holding Corporation
MNB Holding Corporation
Native American Bancorporation
Neighborhood Bancorp
North Milwaukee Bancshares
Peoples Bancshares
PGB Holdings
Pyramid Financial Corporation
Richland State Bancorp
Riverhills Capital Corporation
Security Capital Corporation
Security Federal Corporation
Southeast Arkansas Bank Corporation
Southern Bancorp
State Capital Corporation
United Bancorporation of Alabama
University Financial Corporation
Virginia Community Capital

Loan Funds

Domestic Community Development Loan Funds
3CORE
A Shared Initiative
AAFE Community Development Fund
Access to Capital for Entrepreneurs
ACCION Chicago
ACCION East
ACCION New Mexico
ACCION San Diego
Adirondack Economic Development Corporation
Affiliated Tribes of Northwest Indians Financial Services
Affordable Homes of South Texas
Affordable Housing Resources
African Development Center
Alaska Growth Capital BIDCO
Albany Community Together
Albina Opportunities Corporation
All Credit Considered Mortgage
Alliance CDFI
AltCap
Anacostia Economic Development Corporation
AnewAmerica
Arcata Economic Development Corporation
Arizona MultiBank
Arizona Tribal
Arkansas Capital Corporation
Atlanta Micro Fund
Aura Mortgage Advisors
Azteca Community Loan Fund
BAC Funding Consortium
Baltimore Community Lending
Bankers' Small Business CDC of San Diego
Beech Capital Venture Corporation
Biddeford-Saco Area Economic Development Corporation
Black Business Investment Fund of Central Florida
Black Economic Development Coalition
Blueprint Investment Fund
BOC Capital Corporation
Border Financial Resources
Boston Community Loan Fund
Brazos Valley CDC
Bridge Impact Capital
Bridgeway Capital
Brightpoint Development Fund
Bronx Overall Economic Development Corporation (BOEDC)
Build Wealth
Building Hope. A Charter School Facilities Fund
Business Carolina
Business Development Corp of South Carolina
Business Loan Fund of the Palm Beaches
Business Seed Capital
Businesses Invest in Growth
Butte Local Development Corporation
California Capital Financial Development Corporation
California Coastal Rural Development Corporation
California Community Reinvestment Corporation
California FarmLink
Calvert Social Investment Foundation
CAMBA Economic Development Corporation
Cape & Islands Community Development
Capital Good Fund
Capital Impact Partners
Catalytic Development Funding Corporation of Northern Kentucky
CDCLI Funding Corporation
Ceiba Housing and Economic Development Corporation
CEN-TEX Certified Development Corporation
Center for Community Development for New Americans
Center for Financial Independence & Innovation
Center for Rural Health Development
Century Housing Corporation
Cha Piyeh
Charleston Citywide Local Development Corporation (LDC)
Charter Schools Development Corporation
Chattanooga Neighborhood Enterprise
Chautauqua Opportunities for Development
Chehalis Tribal Loan Fund
Cherokee Nation Economic Development Trust Authority
Chi Ishobak
Chicago Community Loan Fund
Chicago Neighborhood Initiatives Micro Finance Group
Choctaw Home Finance Corporation
Cincinnati Development Fund
Cinnaire Lending Corporation
Citizen Potawatomi Community Development Corporation
Clearinghouse Community Development Financial Institution
CMHP Mortgage
Coastal Enterprises

Coastal Villages Community Development Fund
Colorado Enterprise Fund
Colorado Housing Assistance Corporation
Colorado Housing Enterprises
Columbus Housing Initiative
Comerciantes Unidos para el Desarrollo Comunitario de Camuy
Common Capital
Common Wealth Revolving Loan Fund
Communities Unlimited
Community and Shelter Assistance Corporation
Community Assets for People
Community Capital Fund
Community Capital New York
Community Capital of Vermont
Community Capital Works (Philadelphia Development Partnership)
Community Concepts Finance Corporation
Community Development and Affordable Housing Fund
Community Development Capital
Community Development Financial Institution of the Tohono O'odham Nation
Community Development Fund of Utah
Community Development Resources
Community Development Transportation Lending Services
Community Development Trust
Community Enterprise Development Services
Community Enterprise Investments
Community Financial
Community First Fund
Community Fund of North Miami-Dade
Community Health Center Capital Fund
Community Housing Capital
Community Housing Fund
Community HousingWorks Realty & Lending
Community Investment Corporation
Community LendingWorks
Community Loan Fund of New Jersey
Community Loan Fund of the Capital Region
Community Neighborhood Housing Services
Community Partnership Development Corporation
Community Preservation Corporation
Community Redevelopment Loan & Investment Fund
Community Reinvestment Fund
Community Ventures Corporation
Community Works in West Virginia
CommunityWorks
CommunityWorks North Dakota
Connecticut Housing Investment Fund
Cook Inlet Lending Center
Cooperative Business Assistance Corporation
Cooperative Fund of New England
Cornerstone
Corporacion para el Financiamiento Empresarial del Comercio y de las Comunidades (COFECC)
Corporacion para las Microfinanzas Puerto Rico
Corporation for Supportive Housing
Council for Native Hawaiian Advancement
Craft3
Credit, Inc.
Cumberland Empowerment Zone Corporation
Dakota Resources
Dayton Region New Market Fund
Delaware Community Investment Corporation (DCIC)
Detroit Development Fund
Disability Fund
Disaster Response Fund US
Dorchester Bay Neighborhood Loan Fund
East Harlem Business Capital Corporation
Eastern Dakota Housing Alliance
ECDC Enterprise Development Group
Economic and Community Development Institute (ECDI)
Economic Development and Financing Corporation
Economic Development Investment Fund
Economic Opportunities Fund
El Paso Collaborative for Community and Economic Development
El Paso Credit Union Affordable Housing
Enterprise Center Capital Corporation
Enterprise Community Loan Fund
Enterprise Development Fund of Erie County
Federation of Appalachian Housing Enterprises
Finance Fund Capital Corporation
Finanta
First American Capital Corporation
First Children's Finance
First Nations Community Financial
First Nations Oweesta Corporation
First Ponca Financial
First State Community Loan Fund
Florida Community Loan Fund
FORGE
Forward Community Investments
Four Bands Community Fund
Four Directions Development Corporation
Fresno Community Development Financial Institution
Frontier Housing
Funding Partners for Housing Solutions
Gateway Community Development Fund
Genesis Fund
Genesis LA Economic Growth Corporation
Georgia Cities Foundation
Grameen America
Great Falls Development Authority
Great Rivers Community Capital
Greater Berks Development Fund
Greater Cincinnati Microenterprise Initiative
Greater Jamaica Local Development Company
Greater Metropolitan Housing Corporation
Greater Minnesota Housing Fund
Greater New Haven Community Loan Fund
Greater Newark Enterprises Corporation
Greater Rochester Housing Partnership
Greensboro Community Development Fund
Grow America Fund
Grow Iowa Foundation
Grow South Dakota
Haa Yakaawu Financial Corporation
Habitat for Humanity of Iowa
Habitat for Humanity of Minnesota
HAP Economic & Community Development Corporation
Harlem Entrepreneurial Fund
Hartford Community Loan Fund
Hartford Economic Development Corporation
Hawaii Community Reinvestment Corporation
Hawaii Habitat for Humanity Association
HDC Community Fund
Healthy Neighborhoods
HHOC Mortgage
Hmong Wisconsin Chamber of Commerce
Home Headquarters
Home Ownership Resource Center
HomeBase Texas
Homeownership Lending
HomeSight
Homewise
Hoopa Development Fund
Hope Enterprise Corporation
Hopi Credit Association
Housing Assistance Council
Housing Development Fund
Housing Fund
Housing Partnership Fund
Housing Partnership Network
Housing Trust Fund of Santa Barbara County
Housing Trust Silicon Valley
Human/Economic Appalachian Development Corporation
Hunkpati Investments
Idaho-Nevada Community Development Financial Institution
IFF
Impact CIL
Impact Capital
Impact Loan Fund
Impact Seven
Indian Land Capital Company
Indianapolis Neighborhood Housing Partnership
Indianhead Community Development Financial Institution
Initiative Foundation
Innovative Changes
Institute for Community Economics
International Institute CDC
Intersect Fund
Invest Detroit Foundation
IRC's Center for Economic Opportunity (CEO)
Isles Community Enterprises
Ithaca Neighborhood Housing Services
Kalamazoo Neighborhood Housing Services
Karuk Community Loan Fund
Kentucky Habitat for Humanity
Keweenaw Bay Ojibwa Housing and Community Development Corporation
Knoxville Area Urban League
La Fuerza Unida Community Development Corporation
La Plata Homes Fund
Lafayette Neighborhood Housing Services
Lake County Community Development Corporation

Lakota Fund
Lancaster Housing Opportunity Partnership
Landmarks Community Capital Corporation
Latino Economic Development Center
Latino Economic Development Corporation (LEDC)
Legacy Redevelopment Corporation
Lei Ho'olaha
Leviticus 25:23 Alternative Fund
LiftFund
Lincoln Opportunity Fund
Local Enterprise Assistance Fund
Local Initiatives Support Corporation
Long Island Housing Partnership Community Development Financial Institution
Long Island Small Business Assistance Corporation
Louisiana Community Development Capital Fund
Low Income Investment Fund
Lowell Community Loan Fund
Lower Brule Community Development Enterprise
Lummi Community Development Financial Institution
MaineStream Finance
Maryland Capital Enterprises
Massachusetts Housing Investment Corporation
Mazaska Owecaso Otipi Financial
Mercy Loan Fund
Metro Broward Economic Development Corporation
Metro Community Development
MetroAction
Metropolitan Consortium of Community Developers
Metropolitan Economic Development Association
MHIC
Miami Bayside Foundation
Miami-Dade Affordable Housing Foundation
Micro Enterprise Services of Oregon
Midwest Housing Development Fund
Midwest Minnesota Community Development Corporation
Mile High Community Loan Fund
Milwaukee Economic Development Corporation
Minnesota Chippewa Tribe Finance Corporation
Mississippi Valley Neighborhood Housing Services
Montana Community Development Corporation
Montana Homeownership Network
Mountain Association for Community Economic Development
Mountain BizCapital
Mountain Housing Opportunities Loan Fund
MS Gulf Coast Renaissance Corporation
Mvskoke Loan Fund
NACDC Financial Services
National Community Reinvestment Coalition Community Development Fund
National Council on Agricultural Life and Labor Research Fund
National Federation of Community Development Credit Unions
National Housing Trust Community Development Fund
National Minority Supplier Development Council Business Consortium Fund
Native American Development Corporation
Native Community Finance
Natural Capital Investment Fund
Navajo Partnership for Housing
Nebraska Enterprise Fund
Nehemiah Community Reinvestment Fund
Neighborhood Development Center
Neighborhood Development Services
Neighborhood Economic Development Corporation
Neighborhood Finance Corporation
Neighborhood Housing Finance
Neighborhood Housing Services of Baltimore
Neighborhood Housing Services of Dimmit County
Neighborhood Housing Services of Duluth
Neighborhood Housing Services of Greater Berks
Neighborhood Housing Services of Hamilton
Neighborhood Housing Services of New Orleans
Neighborhood Housing Services of New York City
Neighborhood Housing Services of Orange County
Neighborhood Housing Services of Richmond
Neighborhood Housing Services of Rochester
Neighborhood Housing Services of San Antonio
Neighborhood Housing Services of South Florida
Neighborhood Housing Services of the Inland Empire
Neighborhood Housing Services of Toledo
Neighborhood Housing Services of Waco
Neighborhood Housing Services Silicon Valley
Neighborhood Lending Partners of West Florida
Neighborhood Lending Services
Neighborhood Lending Services
Neighborhood Partnership Housing Services
Neighborhoods of Battle Creek
NeighborWorks Capital
Network for Oregon Affordable Housing
Nevada Microenterprise Development Corporation
New Bedford Economic Development Council
New Entrepreneurs Opportunity Fund
New Hampshire Community Loan Fund
New Hope Housing
New Mexico Community Development Loan Fund
NEWCORP Business Assistance Center
NHS Lending
NHS Neighborhood Lending Services
NiiJii Capital Partners
Nogales Community Development Corporation
Nonprofit Finance Fund
Nonprofits Assistance Fund
North Alabama Revolving Loan Fund
North Carolina Community Development Initiative Capital
North Central Massachusetts Development Corporation
North Central Washington Business Loan Fund
Northcountry Cooperative Development Fund
Northeast Economic Development
Northeast Entrepreneur Fund
Northeast South Dakota Economic Corporation (NESDEC)
Northern California Community Loan Fund
Northern Community Investment Corporation
Northern Economic Initiatives Corporation
Northern Shores Loan Fund
Northland Foundation
Northside Community Development Fund
Northwest Minnesota Foundation
Northwest Native Development Fund
Northwest Ohio Development Agency
Northwest Side Community Development Corporation
NYBDC Local Development Corporation
OBDC Small Business Finance
Office of Rural and Farmworker Housing
Ogden Reinvestment Corporation
Ohio Capital Finance Corporation
Omaha 100
OpenDoor Housing Fund
Opening Doors
Opportunity Finance Network
Opportunity Fund Northern California
Opportunity Resource Fund
Oregon Trail Corporation
Osage Financial Resources
Our Microlending
Oyate Community Development Corporation
PACE Finance Corporation
Pacific Coast Regional, Small Business Development Corporation
Pacific Community Ventures
Paragon Florida
Partners for Self-Employment
Partners for the Common Good
PathStone Enterprise Center
Pennsylvania Assistive Technology Foundation
People Incorporated Financial Services
PeopleFund
Peoples Opportunity Fund
Philadelphia Neighborhood Housing Services
PIDC Community Capital
Piedmont Housing Alliance
Pine Mountain Community Development Corporation
Pocatello Neighborhood Housing Services
Portland Housing Center
Poverty Solutions
PPEP Microbusiness and Housing Development Corporation
Prestamos
Primary Care Development Corporation
Prince George's Financial Services Corporation
Progress Financial Corporation

Progress Fund
Project Enterprise
Providence Revolving Fund
Quaboag Valley Business Assistance Corporation
Raza Development Fund
Real Estate Council Community Fund
Red River Valley BIDCO
REDC Community Capital Group
Reinvestment Fund
Renaissance Economic Development Corporation
Rio Grande Valley Multibank Corporation
Rising Tide Community Loan Fund
River City Capital Investment Corporation
ROC USA Capital
Rochester Community Finance
Rockingham Economic Development Corporation
Rocky Mountain MicroFinance Institute
Rural Community Assistance Corporation
Rural Community Development Resources
Rural Electric Economic Development
Rural Investment Corporation
Rural Nevada Development Corporation
Rutland West Neighborhood Housing Services
Sacramento Neighborhood Housing Services
Salt Lake Neighborhood Housing Services
Salt River Financial Services Institution
San Carlos Apache Tribe Relending Enterprise
San Juan NHS
San Luis Obispo County Housing Trust Fund
Santa Fe Community Housing Trust
Seattle Economic Development Association
Seattle Economic Development Fund
Self-Help Ventures Fund
Seneca Nation of Indians Economic Development Company
Sequoyah Fund
Small Business Assistance Corporation
Small Business Captial Fund of Mississippi
SNAP Financial Access
Solar and Energy Loan Fund of St. Lucie County
South Carolina Community Loan Fund
South Eastern Development Foundation
South Eastern Economic Development Corporation
Southeast Community Capital Corporation DBA Pathway Lending
Southeast Kentucky Economic Development Corporation
Southeast Rural Community Assistance Project
Southern Association for Financial Empowerment
Southern Bancorp Capital Partners
Southern Dallas Development Corporation
Southern Illinois Coal Belt Champion Community
Southern Mutual Financial Services
Southwest Georgia United Empowerment Zone
Sparc
Springfield Neighborhood Housing Services
Strafford Economic Development Corporation
Support Center
Taala Fund
Tampa Bay Black Business Investment
Technology 2020
TELACU Community Capital
Texas Mezzanine Fund
Tierra del Sol Housing Corporation
Tiwa Lending Services
TMC Development Working Solutions
Topeka Shawnee County First Opportunity Fund
Trellis
Trenton Business Assistance Corporation
Triple Bottom Line Foundation
TruFund Financial Services
Trujillo Alto Economic Development Corporation CD
Tulsa Economic Development Corporation
Turtle Mountain CDFI
Twin Cities Community Land Bank
Union County Economic Development Corporation
United Housing
Utah Microenterprise Loan Fund (UMLF)
Utica Neighborhood Housing Services
Valley Economic Development Center
Valley Small Business Development Corporation
Ventana Fund
Ventura County Community Development Corporation
VentureSouth
Vermont Community Loan Fund
Village Capital Corporation
Virginia Community Development Fund
VSJF Flexible Capital Fund L3C
Washington Access Fund
Washington Area Community Investment Fund
Washington Community Alliance for Self-Help (Washington CASH)
Washington Community Reinvestment Association
Washington Heights and Inwood Development Corporation
Ways to Work
WCHR Securities
West Central Development Corporation
Westwater Financial
White Earth Investment Initiative
William Mann Jr. Community Development Corporation
Wind River Development Fund
Wisconsin Native Loan Fund
Wisconsin Women's Business Initiative Corporation
Women's Economic Self-Sufficiency Team
Women's Economic Ventures
Women's Opportunities Resource Center
Women's Venture Fund
WomenVenture
Woodlands Community Lenders
Worcester Community Housing Resources

International Microfinance Loan Funds

ACCION International
ACDI/VOCA
Acumen
CHF International
Creation Investments
DB GCMC II
DB Microcredit Development Fund
DB Start-up Fund
DB FINCA Microfinance Fund
DB ECC
Developing World Markets
EcoEnterprises II
Elevar Equity III
Envest Microfinance Cooperative
Equal Exchange
FINCA International
Fonkoze USA
Freedom From Hunger
Global Partnerships
Grassroots Business Fund
Grey Ghost Ventures
Habitat Microbuild Fund
Hope International
Impact Assets Microfinance Note
Impact Assets Sustainable Ag Note
Media Development Loan Fund
Mercy Corps
Microcredit Enterprises
MicroVest
Oikocredit USA
Opportunity International
Pro Mujer
Root Capital
SERRV International
Shared Interest
ShoreBank International / Enclude
Sostenica
TriLinc
Unitus Capria
Unitus Impact Fund
Unitus Seed Fund
VisionFund International (VFI)
Womens World Banking Isis Fund
Working Capital for Community Needs

Community Development Venture Capital Funds

Ariel Economic Development Fund
BCLF Ventures II
Coastal Ventures III
Community Development Venture Capital Alliance
Innovation Works
Kentucky Highlands Investment Corporation
MetaFund Corporation f.k.a. Oklahoma MetaFund CDC
National Community Investment Fund
New Mexico Community Capital
New Orleans Startup Fund
Pacific Community Ventures Investment Partners III
RAIN Souce Capital
Renewable Manufacturing Gateway

Appendix 4

Money Managers Incorporating ESG Criteria

1919 Investment Counsel
3Sisters Sustainable Management
5 Stone Green Capital
Acadian Asset Management
Access Ventures
Accion International
Accrued Equities
Acumen Fund
Ada Investment Management
Adams Street Partners
AdvisorShares Investments
AFL-CIO Building Investment Trust
AFL-CIO Housing Investment Trust
AIS Capital Management
Akeida Capital Management
Albright Capital Management
Alliance Fund Management
AllianceBernstein
Allianz Global Investors
Allied Asset Advisors
Alpha Risk Management
ALPS Advisors
Alternative Investment Group
Amalgamated Bank
AmeriServ Trust and Financial Services Company
Analytic Investors
AQR Capital Management
Arborview Capital
Ardsley Partners
Ariel Investments
Arjuna Capital, a division of Baldwin Brothers
ASB Capital Management
Ascension Investment Management
Aspiration
Atlanta Capital Managment
Avanath Capital Management
Avanz Capital
AXA Equitable Life Insurance Company
Azzad Asset Management
Babson Capital Management
Baillie Gifford
BAML Capital Access Funds Management
Bentall Kennedy
Blackdirt Capital
BlackRock
Blue Wolf Capital Management
Boston Common Asset Management
Boston Community Capital
Boston Trust & Investment Management Company, Walden Asset Management
Braemar Energy Ventures
Breckinridge Capital Advisors
Bridgeway Capital Management
Brookfield Asset Management
Brown Advisory
BuildForward
Calvert Investments
Cantillon Capital Management
Canyon Partners Real Estate
Capital Dynamics
Capital Group
Capital Innovations Sustainable Investments
Capricorn Investment Group
Capstone Asset Management (CAMCO, a subsidiary of Capstone Financial Services)
Cartica Management
Christian Brothers Investment Services
CEI Ventures (CVI)
Cherokee Investment Partners
Chicago Community Loan Fund
Church Investment Group
City Light Capital
CityView
Clarion Partners
Clean Energy Advisors
Clean Yield Group
ClearBridge Investments
Cohen & Steers
Columbia Management Investment
Commonfund
Commons Capital Management
Community Capital Management
Community Investment Management
Community Investment Partners
Connective Capital Management
Conning Asset Management Company
Conservation Forestry Partners
Conservation International
Core Capital Management
Core Innovation Capital
Creation Investments Capital Management
DBL Partners
Deutsche Investment Management Americas
Dev Equity
Dimensional Fund Advisors
Dodge & Cox
Domini Social Investments
Dreyfus Corporation (BNY Mellon Cash Investment Strategies)
DWM (Developing World Markets) Asset Management
EcoEnterprises Capital Management
Ecosystem Investment Partners
Ecotrust Forest Management
Element Partners
Emerging Capital Partners
Endeavor Global
Energy Capital Partners
Enhanced Capital Partners
Equilibrium
Equity Investment
Essex Investment Management Company
Eventide Asset Management
Everence Financial
Falcon Investment Advisors
Farmland LP
Fermat Capital Management
Fidelity Investments
Fidelity Management & Research Company
First Affirmative Financial Network
First Reserve
First Trust Advisors
Firsthand Capital Management
Fisher Investments
Fledge
Franklin Templeton Investments
Fred Alger Management
Freeman Spogli & Co
Fresh Source Capital
GAMCO Investors (Gabelli Asset Management Company)
GEF Management Corporation (Global Environment Fund)
Generation Investment Management US
Gerding Edlen Fund Management
Glenmede Investment and Wealth Management
Global X Management Company
GMO Renewable Resources
Goldman Sachs Asset Management
Gramercy Funds Management
Gray Ghost Ventures
Great Lakes Advisors
Green Century Capital Management
Greener Capital
Greenmont Capital Partners
GreenWood Resources
GSSG Solar
Guggenheim Funds Investment Advisors
GuideStone Capital Management
Guinness Atkinson Asset Management
Habitat for Humanity
Hamilton Lane
HarbourVest Partners
Harrington Investments
HCAP Partners
Horizon Investment Services
Hotchkis and Wiley Capital Management
Hudson Clean Energy Partners
Huntington Asset Advisors
ICA Fund Good Jobs
Impact Engine
Impact Investment Adviser
Impax Asset Management
Innovare Advisors
Innovation Works
Integrity Funds Distributor
Invesco PowerShares Capital Management
Iroquois Valley Farms
Jantz Management
Janus Capital Management
JLens Network
JP Morgan Asset Management
Kentucky Highlands Investment
Khosla Ventures
Kleiner Perkins Caufield & Byers
Kohlberg Kravis Roberts
Krull & Company
L&B Realty Advisors

LaSalle Investment Management
Lazard Asset Management
Lincoln National
Local Enterprise Assistance Fund (LEAF)
Logan Circle Partners
Loomis, Sayles & Company
Los Angeles Capital Management
Luther King Capital Management
Lyme Timber Company
MacFarlane Partners
Macroclimate
Mariner Investment Group
Martin Investment Management
Meeder Asset Management (MAM)
Mellon Capital Management
MetaFund
MFS Investment Management
MicroVest Capital Management
Miller/Howard Investments
Minlam Asset Management
National Community Investment Fund (NCIF)
Nelson Capital Management
Neuberger Berman
Neumeier Poma Investment Counsel
New Amsterdam Partners
New Energy Capital Partners
New Mexico Community Capital
Newground Social Investment
NewWorld Capital Group
Nomura Corporate Research and Asset Management
North Sky Capital
Northern Trust Asset Management
NorthStar Asset Management
Nth Power
Oak Hill Capital Partners
Oblate International Pastoral Investment Trust
Olympus Capital Asia
Pacific Community Ventures
Pacific Investment Management (PIMCO)
Park Street Capital
Parnassus Investments
Partnership Capital Growth
Pathway Capital Management
Pax World Management
Payden & Rygel
Pegasus Capital Advisors
Pekin Singer Strauss Asset Management
PHYSIC Ventures
Pictet Asset Management
Pioneer Investment Management
PNC Capital Advisors
Prentiss Smith & Company
Principal Global Investors
Proterra Investment Partners
Prudential Real Estate Investors
Quotient Investors
RAIN Source Capital
RBC Global Asset Management
REAL Infrastructure Capital Partners
Red Mountain Capital Partners
Redwood Investments
Renewable Manufacturing Gateway
Renewal Funds
Resource Capital Funds
Reynders, McVeigh Capital Management
Riverbridge Partners
Riverstone Investment Group
RobecoSAM
Rock Point Advisors
Rockefeller & Co.
RockPort Capital Partners
Root Capital
SAIL Capital Partners
Satori Capital
Saturna Capital
Schroders
Schwartz Investment Counsel
SEI Investments Management (SIMC)
Sentinel Investments
Shelton Capital Management
Silchester International Investors
SJF Ventures
SKBA Capital Management
Small Enterprise Assistance Funds (SEAF)
Sonen Capital
State Street Global Advisors (SSGA)
Summit Global Management
Sustainability Group at Loring, Wolcott & Coolidge
Sustainable Insight Capital Management
T. Rowe Price
Terra Alpha Investments
TerraVerde Capital Management
TIAA Investments
Timbervest
Timothy Partners
Touchstone Investments
Towle & Co
Treetops Capital
TriLinc Global
Trillium Asset Management
Trilogy Global Advisors
Trinity Fiduciary Partners
True Green Capital
UBS Asset Management
Ullico
Ultra Capital
Unitus Impact
US Renewables Group
USAA Asset Management Company
Van Eck Associates Corporation
Vanguard
VantagePoint Venture Partners
Variable Annuity Life Insurance (VALIC)
Viking Fund Management
VilCap Advisory
Water Asset Management
Wellington Management Company
Wells Fargo Funds Management
Wespath Investment Management
Western Asset Management
Westfield Capital Management Company
Westly Group
William Blair & Company
Wishrock Housing and Investment Group
Wolfensohn Fund Management (WFM)
Working Capital for Community Needs
XPV Water Partners
Zevin Asset Management

Appendix 5

Institutional Investors Incorporating ESG Criteria

AARP Foundation
Abramowitz-Silverman Fund
Adams (MA) Retirement Board
Adrian Dominican Sisters
American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
AIG
Allstate
Altman Foundation
American Baptist Home Mission Society
American Cancer Society
American Federation of State, County and Municipal Employees (AFSCME)
American Heart Association
American Medical Association Foundation
American University
Amesbury (MA) Retirement Board
Amherst College
Andover (MA) Retirement Board
Annie E. Casey Foundation
Arcata, CA
Arizona Community Foundation
Arizona Public Safety Personnel Retirement System (PSPRS)
Arizona State Retirement System
Arkay Foundation
Arlington (MA) Retirement Board
Armonia
Attleboro (MA) Retirement Board
Austin Community Foundation
Bader Philanthropies
Baltimore Fire & Police Employees' Retirement System
Bank of the West Charitable Foundation
Baptist Foundation of Oklahoma
Baptist Health
Baptist Health South Florida
Barberton Community Foundation
Barnstable (MA) Retirement Board
Baylor University
Belmont (MA) Retirement Board
Ben and Jerry's Foundation
Benedictine Sisters Charitable Trust
Benedictine Sisters of Mount St. Scholastica
Berkshire (MA) Retirement Board
Beverly (MA) Retirement Board
Bill and Melinda Gates Foundation
Bloomberg Philanthropies
Blue Cross Blue Shield of Michigan
Blue Haven Initiative
Blue Hills Regional School (MA) Retirement Board
Blue Moon Fund
Bon Secours Health System
Boston Retirement Board
Boston Foundation
Boston Teachers
Boston University
Braintree (MA) Retirement Board
Brethren Foundation Funds
Brevard College
Bricklayers & Trowel Trades International Pension Fund
Bristol (MA) Retirement Board
Brockton (MA) Retirement Board
Brookline (MA) Retirement System
Brown University
Bullitt Foundation
California Academy of Sciences
California Community Foundation
The California Endowment
California—Golden State ScholarShare College Savings Trust
California Healthcare Foundation
California Institute of Technology
California Institute of the Arts
California Polytechnic State University, Pomona
California Public Employees' Retirement System (CalPERS)
California State Teachers' Retirement System (CalSTRS)
California State Treasurer's Office
California State University, Chico
Cambridge (MA) Retirement Board
CAPROCK Group
Carnegie Mellon University
Catholic Health Association USA
Catholic Health Initiatives
Catholic Relief Services
Catholic University of America
Cedar Tree Foundation
Ceniarth
Center for Community Change
Charles Stewart Mott Foundation
Chelsea, MA
Chicago Firemen's Annuity and Benefit Fund
Chicago Policemen's Annuity and Benefit Fund
Chicago Teachers' Pension Fund
Chicopee, MA
Chorus Foundation
Christensen Family Foundation
Christopher Reynolds Foundation
CHRISTUS Health
Church of the Brethren Benefit Trust
Church Pension Fund
Cleveland Foundation
Clinton, MA
Colby College
College of the Atlantic
Colorado Fire & Police Pension Association
Colorado Public Employees' Retirement Association (PERA)
Colorado State University Foundation
Columbia University
Community Development Venture Capital Alliance
Community Foundation for Greater Atlanta
Community Foundation of the Holland/Zeeland Area
Community Foundation of the Ozarks
Community Foundation Santa Cruz (CA)
Community Foundation Serving Boulder (CO)
Community of Christ
Compton Foundation
Concord, MA
Connecticut College
Connecticut Higher Education Trust
Connecticut Innovations
Connecticut Retirement Plans and Trust Funds
Conrad N. Hilton Foundation
Conservation Land Trust
Consumer Health Foundation
Cordes Foundation
Cornell University
Danvers, MA
Dartmouth College
David and Lucile Packard Foundation
David Rockefeller Fund
Deaconess Foundation
Dedham, MA
Denison University
Denver (CO) Employee Retirement Program
Dignity Health
District of Columbia Retirement Board
Domestic and Foreign Missionary Society of the Protestant Episcopal Church
Dominican Sisters of Hope
Dominican Sisters of San Rafael, CA
Duke University
Dukes (MA) Contributory Retirement
Dwight Hall Socially Responsible Investment Fund
Earlham College
Earthjustice
Easthampton, MA
Ecotrust
Educational Foundation of America
Edward W. Hazen Foundation
Edwards Mother Earth Foundation
Eleos Foundation
Emory University
Endowment for Health
Essex County, MA
Evangelical Lutheran Church in America
Everence Association
Everett, MA
FB Heron Foundation
Fairhaven, MA
Fall River, MA
Falmouth, MA
Fink Family Foundation
Fitchburg, MA
Florida -- Lawton Chiles Endowment Fund
Florida Bureau of Deferred Compensation
Florida State Board of Administration
Foothill-De Anza Community College Foundation
Ford Foundation
Foundation for Louisiana

Framingham, MA
Franciscan Sisters of Perpetual Adoration
Franklin County, MA
Fund for Democratic Communities
Funding Exchange
Gardner, MA
Gates Family Foundation
Gaylord and Dorothy Donnelley Foundation
General Service Foundation
George Gund Foundation
George Washington University
Georgetown University
Georgia Employees' Retirement System
Georgia Teachers' Retirement System
Gloucester, MA
Gordon and Betty Moore Foundation
Granary Foundation
Grand Rapids Community Foundation
Gray Matters Capital Foundation
Greater Cincinnati Foundation
Greater Lawrence (MA) Retirement Board
Green Mountain College
Greenfield, MA
Hampden County, MA
Hampshire College
Hampshire County, MA
Hanley Foundation
Harris and Eliza Kempner Fund
Harris and Frances Block Foundation
Hartford Insurance Company
Harvard University
Haverhill, MA
Hawaii Employees' Retirement System
Headwaters Foundation for Justice
Heifer Foundation
Heinz Endowments
Hingham, MA
Holyoke, MA
Howard University
Hull Family Foundation
Hull, MA
Humboldt State University Advancement Foundation
Idaho Public Employees Retirement System (PERSI)
IDP Foundation
Illinois Municipal Retirement Fund
Illinois State Board of Investment (ISBI)
Illinois State Treasurer
Illinois State Universities Retirement System
Illinois Teachers' Retirement System
Incourage Community Foundation
Indiana Public Retirement System
International Finance Corporation (IFC)
Iowa Municipal Fire and Police Retirement System (MFPRSI)
Iowa Public Employees' Retirement System (IPERS)
Iowa State University
Island Institute
Jacksonville (FL) Police and Fire Pension Fund
Jenifer Altman Foundation
Jessie Smith Noyes Foundation
John D. and Catherine T. MacArthur Foundation
John Merck Fund
John S. and James L. Knight Foundation
John Templeton Foundation
Johns Hopkins University
Jubitz Family Foundation
Kansas Public Employees Retirement System (KPERS)
KL Felicitas Foundation
Kresge Foundation
Laird Norton Family Foundation
Laughing Gull Foundation
Lawrence (MA) Retirement Board
Lemelson Foundation
Leominster, MA
Lesley University
Lexington, MA
Living Cities Catalyst Fund
Los Angeles County Employees Retirement Association (LACERA)
Los Angeles Employee Retirement System (LACERS)
Los Angeles Fire and Police Pensions (LAFPP)
Louisiana Baptist Foundation
Louisiana Teachers' Retirement System
Lowell, MA
Loyola University of Chicago
Lydia B. Stokes Foundation
Lynn, MA
Maine Community Foundation
Maine Public Employees' Retirement System (MainePERS)
Malden, MA
Marblehead, MA
Marin Community Foundation
Marlborough, MA
Mary Black Foundation
Mary Reynolds Babcock Foundation
Maryknoll Fathers and Brothers
Maryknoll Sisters
Maryland State Retirement and Pension System
Massachusetts Housing Finance Agency Retirement Board
Massachusetts Institute of Technology
Massachusetts Port Authority Retirement Board
Massachusetts State Employees
Massachusetts Teachers' Retirement System (MTRS)
Massachusetts Water Resources Authority Retirement Board (MWRA)
Maynard, MA
Mayo Clinic
McKnight Foundation
Medford, MA
Melrose, MA
Mennonite Education Agency
Merck Family Fund
Mercy Health
Mercy Investment Services
Methuen, MA
MetLife
MetLife Foundation
Meyer Memorial Trust
Miami (FL) Fire & Police Retirement Trust
Miami (FL) Firefighters' Relief and Pension Fund
Michigan Retirement Systems (SMRS)
Middlebury College
Middlesex (MA) County Retirement Board
Midwest Capuchins (Capuchin Province of St. Joseph)
Milford Retirement Board
Milton (MA) Retirement Board
Milwaukee Employees' Retirement System
Ministry Health Care
Minnesota State Board of Investment
Minuteman Regional Retirement Board
Missionary Oblates of Mary Immaculate
MissionPoint Partners
Missouri DoT and Patrol Employees Retirement System
Missouri Public School and Education Employee Retirement Systems (PSRS/PEERS)
Missouri State Employees' Retirement System (MOSERS)
Missouri State Treasurer's Office
Mize Family Foundation
MMBB Financial Services
Montague Retirement Board
Montgomery County Employees' Retirement System
Naropa University
Nathan Cummings Foundation
Natick Retirement Board
Nature Conservancy
Nazareth College
Needham (MA) Retirement Board
Needmor Fund
New Bedford (MA) Retirement Board
New England Biolabs Foundation
New Jersey Pension Fund
New Mexico Educational Retirement Board
New Mexico State Investment Council
New School University
New York City Pension Funds
New York Community Trust
New York State Common Retirement Fund
New York State Teachers' Retirement System (NYSTRS)
Newburyport (MA) Retirement Board
Newton (MA) Retirement Board
Nia Community Fund
Norfolk County (MA) Retirement Board
North Adams (MA) Retirement Board
North Attleboro (MA) Retirement Board
North Carolina Retirement Systems
Northampton (MA) Retirement Board
Northbridge (MA) Retirement Board
Northwest Area Foundation
Northwest Women Religious Investment Trust
Northwestern University
Norwood (MA) Retirement Board
Oberlin College
Ohio Police and Fire Pension Fund
Ohio Public Employees' Retirement System (OPERS)
Ohio School Employees' Retirement System
Ohio State University
Ohio Teachers' Retirement System
Omidyar Network

Oneida Tribe of Indians of WI Oneida Trust Committee
Oregon Community Foundation
Oregon State Treasurer's Office
Oregon State University Foundation
Pacific School of Religion
Park Foundation
Pathstone Federal Street
Peabody Retirement Board
Pennsylvania Municipal Retirement System
Pennsylvania Public School Employees' Retirement System
Pennsylvania State Employees' Retirement System
Pennsylvania State Treasurer
Pennsylvania State University
Peralta Community College District
Philadelphia Public Employees Retirement System
Pittsburgh Foundation
Pittsfield (MA) Retirement Board
Pitzer College
Plymouth (MA) Retirement Board
Plymouth (MA) Retirement Board
Pomona College
Portico Benefit Services
Prentice Foundation
Presbyterian Church (USA)
Presbyterian Foundation
Prescott College
Pride Foundation
Princeton University
Prudential Financial
Prudential Foundation
Quincy (MA) Retirement Board
Rasmuson Foundation
Reading (MA) Retirement Board
Reform Pension Board
Rensselaer Polytechnic Institute
Revere (MA) Retirement Board
Rhode Island Employees' Retirement System
Rhode Island School of Design
Rice University
Robert and Patricia Switzer Foundation
Robert Treat Paine Association
Robert Wood Johnson Foundation
Rockefeller Brothers Fund
Rockefeller Foundation
Rose Foundation for Communities and the Environment
Rotary Foundation
Roy A. Hunt Foundation
RSF Social Finance
The Russell Family Foundation
St. Louis University
St. Paul Foundation
Salem (MA) Retirement Board
Salvation Army
Samford University
San Francisco City & County Retirement System
San Francisco Foundation
San Francisco State University
San Jose State University & Tower Foundation
Santa Clara University
Saugus Retirement Board
Schmidt Family Foundation
School Sisters of Notre Dame Central Pacific Province
Seattle Foundation
Service Employees International Union (SEIU) Master Trust
Seventh Generation Fund for Indian Development
Shrewsbury (MA) Retirement Board
Shriners Hospitals for Children
Sierra Club Foundation
Silicon Valley Community Foundation
Sisters of Charity of St. Elizabeth
Sisters of Loretto
Sisters of St. Dominic of Caldwell
Sisters of St. Francis of Philadelphia
Sisters of St. Joseph of Philadelphia
Skoll Foundation
Society of the Holy Child Jesus
Solidago Foundation
Somerville (MA) Retirement Board
South Carolina Retirement System Investment Commission
South Dakota Retirement System
Southbridge (MA) Retirement Board
Springcreek Foundation
Springfield (MA) Retirement Board
St. Paul (MN) Teachers Retirement Fund Association
Stanford University
State of Wisconsin Investment Board
Stoneham (MA) Retirement Board
Sun Life Assurance Company of Canada (US)
Sundance Family Foundation
Surdna Foundation
Swampscott (MA) Retirement Board
Swarthmore College
Swift Foundation
Syracuse University
Taunton (MA) Retirement Board
Texas Employees' Retirement System (ERS)
Texas Teacher Retirement System (TRS)
Texas County and District Retirement System
Texas Emergency Services Retirement System
Texas Municipal Retirement System
Threshold Foundation
Threshold Group
Tides Foundation
Trinity College
Triple EEE Foundation
Triskeles Foundation
Tufts University
UAW Retiree Medical Benefits Trust
Union Theological Seminary
Unitarian Universalist Association
United Church Funds
United Church of Christ Pension Boards
United Methodist Church Foundation
United Methodist Church General Board of Pension and Health Benefits
United Nations Joint Staff Pension Fund
Unity College
University of California Regents
University of Colorado Foundation
University of Connecticut & Foundations
University of Dayton
University of Denver
University of Florida Foundation
University of Georgia
University of Hawaii
University of Illinois & Foundation
University of Iowa & Foundation
University of Maine System
University of Massachusetts Foundation
University of Michigan
University of Minnesota
University of North Carolina at Chapel Hill & Foundations
University of Northern Iowa
University of Notre Dame
University of Pennsylvania
University of Rochester
University of Southern California
University of Virginia
University of Washington
University of Wisconsin Foundation
Ursuline Sisters of Tildonk
V. Kann Rasmussen Foundation
Vassar College
Vermont 457 Deferred Compensation Plan
Vermont Community Foundation
Vermont Municipal Employees' Retirement System (VMERS)
Vermont State Employees' Retirement System (VSERS)
Vermont State Teachers' Retirement System (VSTRS)
W.K. Kellogg Foundation
Wake Forest University
Wakefield (MA) Retirement Board
Wallace Global Fund
Waltham (MA) Retirement Board
Walton Family Foundation
Washington State Investment Board
Watertown (MA) Retirement Board
Webster (MA) Retirement Board
Wellesley (MA) Retirement Board
West Springfield (MA) Retirement Board
Westfield (MA) Retirement Board
Weymouth (MA) Retirement Board
Wheaton College
Wilderness Society
William Bingham Foundation
Williams College
Winchester (MA) Retirement Board
Winslow Foundation
Winthrop (MA) Retirement Board
Wisconsin Deferred Compensation Program
Woburn (MA) Retirement Board
Worcester (MA) Retirement Board
Worcester Regional (MA) Retirement Board
World Resources Institute
Yale University

Appendix 6

ESG Shareholder Proponents 2014–2016

444S Foundation
Academy of Our Lady of Lourdes
Adrian Dominican Sisters
AFL-CIO
AIDS Healthcare Foundation
Altamaha Riverkeeper
Amalgamated Bank
American Baptist Churches USA
American Baptist Home Mission Societies
American Civil Liberties Union of Northern California
American Federation of State, County & Municipal Employees (AFSCME)
Amnesty International USA
Arjuna Capital, a division of Baldwin Brothers Inc.
Association of BellTel Retirees
As You Sow Foundation
Beekman-Lippert CRUT
Benedictine Sisters Charitable Trust
Benedictine Sisters of Baltimore—Emmanuel Monastery
Benedictine Sisters of Mount St. Scholastica
Benedictine Sisters of Virginia
Boston Common Asset Management
Boston Trust & Investment Management Company, Walden Asset Management
Brainerd Foundation
Bricklayers & Trowel Trades International Pension Fund
Bulldog Investors
California Public Employees' Retirement System (CalPERS)
California State Teachers' Retirement System (CalSTRS)
Calvert Investments
Capital Innovations Sustainable Investments
CAPROCK Group
Cartica Management
Catholic Health Initiatives
Christian Brothers Investment Services
Center for Community Change
Central Laborers' Pension, Welfare and Annuity Funds
Change to Win
CHE Trinity Health
Christopher Reynolds Foundation
Church Pension Fund
Clean Yield Group
Comerica Bank & Trust
Community Church of New York
Congregation of Benedictine Sisters of Boerne (TX)
Congregation of Divine Providence of San Antonio (TX)
Congregation of the Sisters of St. Agnes
Congregation of St. Joseph
Congregation of the Sisters of Charity of the Incarnate Word
Congregation of the Sisters of St. Joseph of Chestnut Hill, Philadelphia
Congregation of the Sisters of St. Joseph of Brighton
Connecticut State Treasurer's Office
Connecticut Retirement Plans and Trust Funds
Construction Laborers Pension Trust Fund for Southern California
Convent Academy of the Incarnate Word
Cordes Foundation
Creation Investments Capital Management
Daughters of Charity, Province of St. Louise
David Rockefeller Fund
Dignity Health
Discovery Group/Discovery Equity Partners
Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA
Domini Social Investments
Dominican Sisters of Hope
Dominican Sisters of Houston, TX
Dominican Sisters of San Rafael, CA
Dominican Sisters of Springfield, IL
Dwight Hall Socially Responsible Investment Fund
Educational Foundation of America
Elliott Management
Environmental Working Group
Equality Network Foundation
Eriksen Capital Management
Evangelical Lutheran Church in America
Everence Financial
First Affirmative Financial Network
First Parish in Cambridge
Florida State Board of Administration
Franciscan Sisters of Little Falls, MN
Franciscan Sisters of Mary
Franciscan Sisters of Perpetual Adoration
Fresh Pond Capital
Friends Fiduciary
GAMCO Investors (Gabelli Asset Management Company)
GE Stockholders Alliance
George Gund Foundation
Green Century Capital Management
Harrington Investments
Haymarket People's Fund
Heartland Initiative
Holy Land Principles
Home Missioners of America
Humane Society
Impax Asset Management
International Brotherhood of DuPont Workers
International Brotherhood of Electrical Workers Pension Benefit Fund
International Brotherhood of Teamsters
Investor Voice
Jantz Management
Jessie Smith Noyes Foundation
Jesuit Conference
Jesuits of the Central and Southern Province
Jewish Voice for Peace
John Merck Fund
Kansas City (MO) Firefighters Retirement
Karpus Investment Management
Laborers' International Union of North America (LIUNA)
Laborers National Pension Fund
Laird Norton Family Foundation
Lemmon Foundation
Libra Fund
Manhattan Country School
Marco Consulting Group
Maryknoll Fathers and Brothers (Catholic Foreign Mission Society of America)
Maryknoll Sisters
Massachusetts Laborers' Benefit Funds
Max and Anna Levinson Foundation
Mennonite Education Agency
Merck Family Fund
Mercy Health (formerly Catholic Health Partners)
Mercy Investment Services (Institute of Sisters of Mercy of the Americas)
Miami Firefighters Relief and Pension Fund
Midwest Capuchins (Capuchin Province of St. Joseph)
Midwest Coalition for Responsible Investment
Miller/Howard Investments
Missionary Oblates of Mary Immaculate
Monasterio Pan de Vida
Nathan Cummings Foundation
National Center for Public Policy Research
Nebraska Peace Foundation (Nebraskans for Peace)
Needmor Fund
New Economy Project
New York City Pension Funds
New York State Common Retirement Fund
Newground Social Investment
North Carolina Retirement Systems
NorthStar Asset Management
Northwest Coalition for Responsible Investment
Northwest Women Religious Investment Trust
Oneida Nation Trust Enrollment Committee
Oxfam America
Park Foundation
Pax World Management
Pekin Singer Strauss Asset Management
People for the Ethical Treatment of Animals (PETA)
Philadelphia Firefighters
Philadelphia Public Employees Retirement System
PL Capital Group
Plumbers and Pipefitters National Pension Fund
Portico Benefit Services
Presbyterian Church USA

Pride Foundation
Priests of the Sacred Heart
Providence Trust
Q Investments LP
Reform Pension Board
Reynders, McVeigh Capital Management
RobecoSAM
Rockefeller & Co.
The Russell Family Foundation
Russell Investments
School Sisters of Notre Dame Cooperative Investment Fund
School Sisters of Notre Dame, Central Pacific Province
Service Employees International Union (SEIU) Master Trust
Sierra Club
Sierra Club Foundation
Sinsinawa Dominican Sisters
Sisters of Charity Of St. Elizabeth
Sisters of Charity of St. Vincent de Paul
Sisters of Charity of the Blessed Virgin Mary
Sisters of Loretto
Sisters of Notre Dame de Namur (MA)
Sisters of Providence, Mother Joseph Province
Sisters of St. Dominic (WI)
Sisters of St. Dominic of Caldwell, NJ
Sisters of St. Dominic of Amityville, NY
Sisters of St. Dominic of Blauvelt, NY
Sisters of St. Francis of Assisi
Sisters of St. Francis of Philadelphia
Sisters of St. Francis of the Holy Cross (WI)
Sisters of St. Francis, Dubuque (IA)
Sisters of St. Joseph of Carondelet, St. Louis Province
Sisters of the Holy Family (CA)
Sisters of the Holy Names of Jesus and Mary
Sisters of the Humility of Mary
Sisters of the Presentation of the Blessed Virgin Mary (SD)
Sisters of the Sorrowful Mother
Society of Jesus -- California Province
Society of the Holy Child Jesus
Sonen Capital
Southwest Regional Council of Carpenters Pension Fund
Special Opportunities Fund
St. Joseph Health System
SumOfUs
Sundance Family Foundation
Sustainability Group at Loring, Wolcott & Coolidge
Sustainvest Asset Management
Swift Foundation
TerraVerde Capital Management
Threshold Group
TIAA Investments
Tides Foundation
Treehouse Investments
Trillium Asset Management
Trinity Church Wall Street
Triskeles Foundation
Tri-State Coalition for Responsible Investment
UAW Retiree Medical Benefits Trust
Unitarian Universalist Association
Unitarian Universalist Service Committee
UNITE HERE
United Brotherhood of Carpenters and Joiners of America
United Church Funds
United for a Fair Economy
United Methodist Church Foundation
United Methodist Church General Board of Pension and Health Benefits
United Steel Workers
University of California Regents
University of Dayton
Ursuline Sisters of Tildonk, US Province
Vermont Pension Investment Committee
Vermont State Employees' Retirement System (VSERS)
VIEX Opportunities Fund
Wallace Global Fund
Wespath Investment Management
World Resources Institute
Zevin Asset Management


Calvert
INVESTMENTS
CALVERT INVESTMENTS IS PROUD TO SUPPORT THE
US SIF FOUNDATION AND THIS YEAR'S
Report on US Sustainable,
Responsible and Impact Investing Trends


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GLOBAL ASSET MANAGEMENT
ClearBridge
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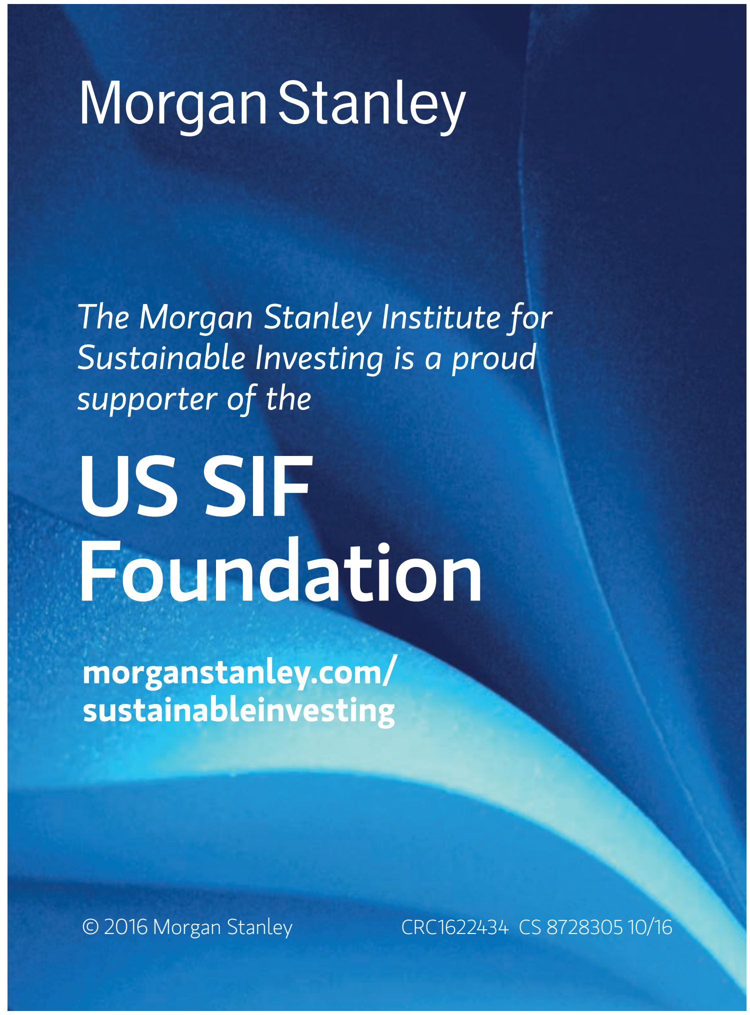
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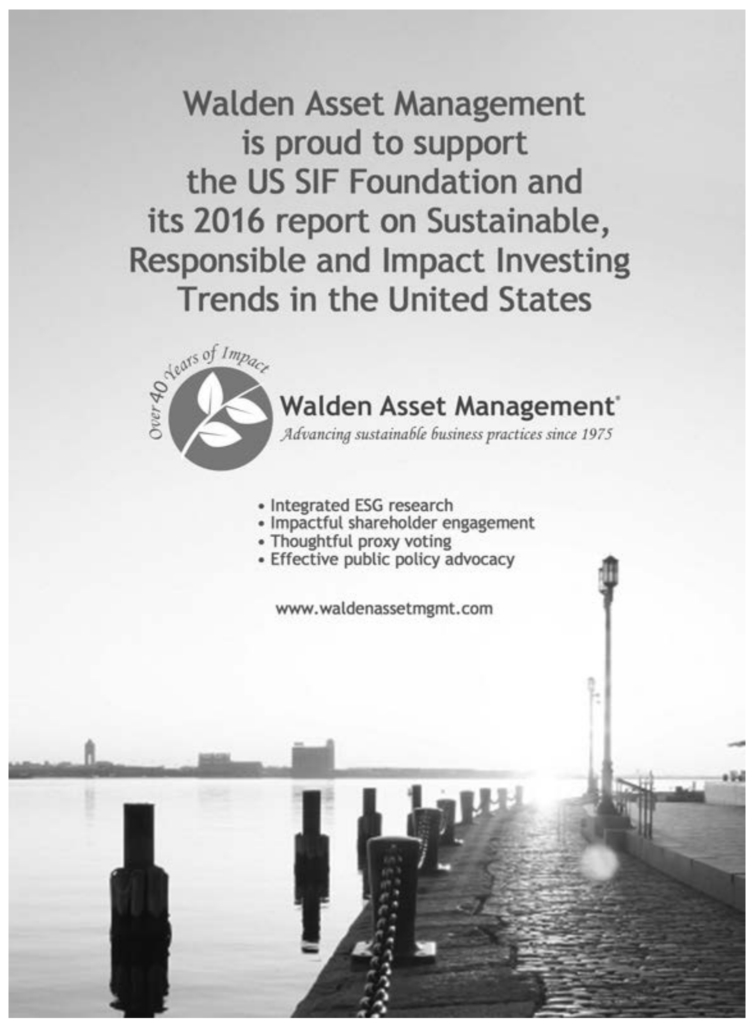
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